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REO Summit

Real Estate Opportunities:
Russia, Kazakhstan & Ukraine **2008**

23th & 24th January 2008
Vienna, Austria
www.reosummit.com



RUSSIAN REAL ESTATE MARKET GETS A BIG BOOST

ELENA SHASHKINA

THE COMMERCIAL REAL ESTATE MARKET IN RUSSIAN is now rapidly developing. Its inexhaustible potential keeps on generating new investment strategies, bringing higher profits.

The profitability of commercial real estate objects in Russia and the speedy growth of their cost attracts more and more foreign actors to the market, private enterprises as well as big institutional investors. Presently foreign investors take part in instigating the major part of prominent projects in the sector of commercial real estate.

The Western investors are attracted by the profit. The profitability of real estate in Russia is currently high and will stay much

higher, than in the neighboring countries. Hedge funds come first. Being pioneers, they diminish the fundamental risks by their first deals and pave the way for other such like hedge funds, but taking lower risks, and, subsequently, for the institutional investment funds: superannuation, security or state funds. Apart from the companies, that develop in Russia in order to make up their own business, the largest world investment funds like Raven Russia Ltd., Morgan Stanley, Hypo Real Estate International, EAG European Real Estate, Fleming Family & Partners, London & Regional Property, Meinl European Land, Immoeast and other gather pace.

Furthermore, the new investment offers include close end mutual real es-

tate funds that have recently come into scene and quickly gain more importance. They offer high profitability, tax exemptions and high level of security provided by the state. Including real estate objects into the close end mutual real estate funds is a common way to improve the efficiency of their management.

Whatever attractive the Russian market could be, it is still a peculiar one for our foreign partners. And one of the main tasks of the «Real Estate Opportunities (REO) Summit: Russia, Kazakhstan & Ukraine 2008» conference is to emphasize the national peculiarities, the real and imaginary market threats. Russia still preserves administrative, tax and other bureaucratic barriers for foreign com-

panies working there. But one can't but mention, that even with the national specificity and the obviously low predictability of the real estate market, it is not impenetrable for new partners. Moreover, Russian legislation concerning real estate is coming closer to the world standards, making more and more procedures transparent and technological. Another factor that attracts investors to the Russian market is the absence of severe competition and a relatively low threshold of entering the market.

The real estate market boost in Russia is a long-term trend, real estate being not as much a part of commercial relations as a search for the new identity and radical rebranding on a federal scale.

The project of the year! "THE TOWERS OF WINDS"

business class apartments
two-level parking
office area
cinema
bowling
shops and restaurants

Multifunctional building complex
in the center of Gelendjik,
100 m away from sea

Investments needed: \$ 150 mn
Project term: 2008-2011

**advanced
research**

+7(812) 333-49-96 spalyanova@aresearch.ru, Svetlana Palyanova



MIKHAIL BAKULEV

Question: Hi, Svetlana! Would you please introduce your company and your business?

Svetlana Palyanova: Well, first of all, I'd like to thank you for providing the possibility to tell about the business that we appreciate so much. Secondly, there is really a story behind it: the history of our company, our positioning is a truly interesting case for the Russian advising market. To start with, all my colleagues are people I've known for a long time. We've had a five-year-long sort of test-drive with my co-workers in one of the biggest research companies, we actually became the pioneers in the Russian consulting market. Now we've consolidated our efforts to make the dream of an up-to-date, daring and advanced business



SVETLANA PALYANOVA, CEO of Advanced Research Financial Trendsetting Agency

What is trendsetting?

come true, we've implemented a part of the unique ideas we've been fostering for such a long time and launched the acute innovative services into the market. This stage was preceded by a genuinely vast and profound research of the conditions of the Russian market development. We've got the practical experience, not a desk education. This advantage let Advanced Research to earn the reputation of an efficient and sagacious financial adviser in literally one year.

Question: Please, tell about the unique ideas you mentioned. And what is actually Advanced Research?

Svetlana: The Advanced Research company was established in February, 2006. A year ago we founded a specialized affiliate Alyans Otsenka appraisal company. The number of employees of the companies is not that big. We are a compact and a mobile business of great ambitions. We realized that we're into something different from what is traditionally called financial advising. So, we had an idea of Advanced Research – the first and only financial trendsetting agency in Russia and all over the world. Our assets are the awareness of acute trends, comprising the image of Russian and world markets both currently and in a long-term prospect. The perspective of general tendencies allows us to offer the practical tools to solve the local tasks. We seem to take a further look and to read be-

tween the lines. We attempt to predict the future as well as to widen the planning horizons for our clients. We are able not only to conform to the market, but to anticipate it, too.

Question: Suchlike company positioning must be making you more demanding in project culture and, on the whole, the tasks you're setting.

Svetlana: As a matter of fact, we're involved into assessment, business analysis, financial advising, attracting investments and managing risks – that is, all the usual tasks of a business adviser. For instance, we've attracted over R 7.5 bn investments in 2007. But we're interested in the tasks and market segments that require a conceptual forecast that needs to be validated. We are convinced that not any given adviser can make predictions; one has to have a special business grip, business sagacity and the empirical knowledge of the market laws. Our advisers are able to put themselves in the place of the customer working on a specific project and to simulate the actions he can make. When the customer applies to us, he is usually in doubt, and an adviser should think over the possible outcomes of the situation in a long prospect, to predict and reason various scenarios, to calculate all the risks and find the ways of minimizing them, and, actually, to make a customer feel more self-confident, to help him in decision-

making. Taking part in decision-making is by far the most interesting thing.

Sure, we're interested in the projects connected with all the corporate actions, mergers and acquisitions, business restructuring, and deals on this business development projects. In our projects we touch upon such spheres as internal organizational environment, internal economic business processes, so, we always render a complex advising.

Question: What market segments are especially attractive to you?

Svetlana: It happened that we've accumulated experience predominantly in the sphere of telecommunications and real estate complexes management.

Telecommunications segment, unlike other spheres of Russian economy, is now in bloom and keeps on renovating. Now a global restructuring of the brunch is underway. In other spheres there are large holdings, where everything is fixed and thus nothing changes. In telecom the situation is contrary: recently there has been a consolidation, and, no doubt, it has influenced the business configuration. Secondly, the competition has increased considerably, the governmental role has diminished, and the processes in the market have taken a different course. The transition to digital technologies brings about considerable changes in quality and marketing of the services. More than that, new projects, connected with real estate, appear. Analogous

equipment used to take up large territories, whole buildings, placed in every community. Digital equipment is much more compact, the territories are free now, and there arises the need to restructure these real estate complexes.

Question: Now we're about to talk of the closed end real estate funds. Recently Advanced Research hit the participants list of a prestigious contest "The Best Real Estate Company of Russia and CIS", supported by Europaproperty.com.

Svetlana: Right, that's true. The truth is that our team was the first in Russia to work with closed end funds of real estate. In the beginning of 2005 our working group offered the first fundraising innovation tool – the mutual real estate fund. That time the legislative support was very vague, and other advisers considered these tasks to be risky and indefinite; and we could convince our clients that these technologies do have the future. Our team has developed the documentation and fund project from the scratch, tested the possible work scenarios of the innovation tool, and analyzed the potential profitability of the project. As a result, the customers have created the Megapolis Asset Management managing company, which involved the specialists in assets management in the financial market. We evaluated the managed real estate complex and established the closed end real estate fund, and improved the

techniques of co-operation with state bodies, developers and investors. In addition, according to our recommendations, the closed end mutual real estate fund Megapolis Innovative Property Development entered MICEX. The fund hit top ten biggest funds list, and the information on the project started to disseminate fast. I believe that was the reason for us to be nominated. Certainly, the project is not the only one, we created some more funds, not as large as this one. We have arrangements for 2008 on similar projects.

Question: But the nomination is not the only in the recent year.

Svetlana: Right, the year has been very fruitful in the respect of various achievements. On the ground of a specialized investigation for the year 2007 conducted with the help of a range of governmental bodies and independent analysts and as per resolution of the Expert Council on Economy and Management of the National Personalities Encyclopedia Editorial Board I was honored to be included in the list of most efficient managers of Russian enterprises and organizations. I received the certificate "Top Manager of the Russian Federation 2007". It was quite unexpected for me, though, and I was even thinking of some kind of catch, but could find none. I connect this achievement first of all to the success of our affiliate Alyans Otsenka. The company is a very young one; it appeared a year ago and in this year has assessed numerous companies. The number of employees is not high,

while the turnover is considerable. We submitted this data to the state bodies, and the award followed.

Question: Let's touch upon your prognostic competence. What forecasts do you have for 2008?

Svetlana: I suppose the year is not going to be an easy one, but definitely a positive one for the stock market. One can't expect a rapid growth out of connection with high risks. You'll have to cautiously choose the projects and investment initiatives. But in general I'd give a positive prognosis; the economic growth in Russia will proceed. There are several contributing factors: the high price for oil and its further heightening, - surely, that's our advantage. The political risks are negligible in 2008. The ruble rate will grow, and though we have a high inflation rate, the summer monetary reform project will help strengthen the federal currency. The situation with dollar is a more complicated one, I guess, there're going to be several peaks when dollar will either remain unchanged or will strengthen, but more likely than not, the tendency of 2007 will prevail and the dollar will get cheaper. In real estate sphere clusterization needs to be conveyed, so that clusters where the real estate will grow in price and clusters where the unprecedented price growth will stop could be allocated. Price in the first cluster is stipulated by large-scale factors: this concerns the cities with population over a million, having industries and undergoing economical growth. These are Moscow,

St. Petersburg, Yekaterinburg, Nizhniy Novgorod, Novosibirsk and the South of Russia. The real estate will rise in price, but not as rapidly as in the recent two years. In other aspects we're expecting stabilization, at moments even the fall of prices, especially for the residential real estate. I expect the reassessment of the land, which is connected to the alterations in land legislation.

Question: And, finally, I'd like to ask you of your interests in the "Real Estate Opportunities" summit.

Svetlana: We're absolutely aware that apart from self-representation we'll need to engage in field advising of potential partners and clients. But the summit is a communicative tool for us, we want to explore the interests of our Western colleagues and learn their opinion on investment risks and their preferences in the choice of projects.

We set a research task in the framework of the summit, we possess the analytical competence and knowledge of tax legislation, the experience in creating and maintaining closed end real estate funds. Our Western colleagues are unaware of many of the nuances and possibilities of the Russian market, which makes Western investors cautious and indecisive concerning the prospects of buying this funds or investing in them. Our task is to understand what investors are interested in, what problems they encounter at this stage, while the range of projects we are ready to offer is quite broad.

**LOVE,
& TRENDS
& DOW JONES**

Latest forecasts in the research
"Russia-2008 in Numbers" (page. 4-5)
and at www.aresearch.ru

Advanced Research
Financial Trendsetting Agency

AR press clips

Megapolis Innovative Property Development listed on MICEX

ELENA SHASHKINA

MEGAPOLIS PROPERTY MANAGEMENT is a developer managing owned and leased commercial and residential real estate property with total assets valued at around USD 80 mn. Being active in several regions of Russia the Company manages a very diversified pool of assets.

Each of us who watched real estate prices rocket up in the last couple of years was thinking – I wish I could get on that train. There are several ways to invest in real estate. First and the most obvious is to buy it. For those, however, who do not wish to keep too much money in one pocket real estate investment trust (REIT) is a way to go.

WHAT IS A REIT?

A corporation or trust that uses the pooled capital of many investors to purchase and manage a pool of commercial properties and other real estate assets.

REITs have been widely accepted in US and Europe, in Russia however it is a quite innovative way to invest in the real estate market.

Currently there are over 60 REITs trading on MICEX and RTS. Megapolis Innovative Property Development is among the 10 largest trusts in terms of net asset value.

For a long time Megapolis used only conventional sources of funding, bank loans being the primary



source. At the time the management was wary of using advanced financing instruments.

In 2005 the Company reached a stage where it needed to readdress its financing needs and turning to consultants for professional advice in finance seemed reasonable.

Advanced Research, a former research division of AVK Investment Company, was retained by Megapolis as financial advisor to provide guidance in raising invest-

ment to finance the company's development. Denis Fokin, the Chairman of the Megapolis Property Management's BOD, comments that "Advanced Research managed to convince us that REIT is a powerful trend in investing in the real estate market".

It took some persuasive effort on the part of Advanced Research experts to convince managers that REIT offered a more effective source of funding in terms of both

cost and amount of financing than bank financing, despite certain ambiguity of the current legislation in relation to REITs.

The final version of the REIT structure was the result of an exhaustive analysis of all the possible ways to structure REIT's assets and scheme of ownership. After structuring analysis was completed all the necessary REIT documentation was developed by the Advanced Research experts virtually from scratch.

To ensure future effective operation of the REIT, consultants together with the management worked on establishing necessary procedures and lines of communication with the governmental bodies, investors and developers.

Side by side with analysts Advanced Research appraiser team was working on valuation of all the real estate assets to be managed in trust, which entailed an appraisal of around 10 business-centers in downtown of Moscow and Saint Petersburg.

According to Advanced Research team, working on the project, incorporation of the legal entities for the management company (Megapolis Asset Management) and the investment trust (Megapolis Innovative Property Development) was among the most time- and effort-consuming tasks. Another challenge was to staff both entities with highly qualified managers experienced in real estate management.

In 2007 Advanced Research analysts suggested that the Company went one step further in diversification of its investor base and recommended listing REIT's shares on MICEX. This October Megapolis Innovative Property Development was added to the MICEX over-the-counter quotation list and currently represents a cost-effective and convenient way to invest in growing real estate market in Russia.

Kommersant
Mar 1, 2007

BR will share with Gazprom
Mikhail Bakulev of Advanced Research supposes that Gazprom is interested in BP as the partner on the global liquefied gas market that will help the company to enter the British market.

Vedomosti
Mar 12, 2007

Long-term relations
In the long run all consumer credits will be issued by means of credit cards; that's just a matter of time for customers get used to this tool, supposes Petr Minin, an analyst with Advanced Research.

Vzglyad
Apr 12, 2007

Lukashenko left without oil
Mikhail Bakulev of Advanced Research emphasized political benefits of the bypass oil pipeline: "Russia is diversifying the routs of oil transportation thus reducing its dependence on neighbors: Belarus, Lithuania, Latvia, and Poland".

Kommersant—
St. Petersburg
May 19, 2007

Retailers to improve management
According to Svetlana Trukhanovich, an analyst with Advanced Research, the competition will be toughening as a number of market players increases – just like it happened on the food retail market.

Expert (Northwest),
Sep. 17, 2007

We are to choose
To reach operation stability, the docks (Verfi) should look for more profitable export contracts, says Elena Shashkina, an expert with Advanced Research.

BusinessWeek Russian
Sep. 23, 2007

Operation boom
Irina Semenova, an analyst with Advanced Research, supposes that an increasing growth rate of Microsoft sales is a result of universality of the company's software.

Kommersant
Oct. 16, 2007

Studying on-the-job
Elena Shashkina of Advanced Research says cockpit mock-up market is rather volatile due to high prices and long depreciation period of simulators.

Saint Petersburg engineering infrastructure to raise private investments

EKATERINA RECHITSKAYA

SINCE 2006, the development of Saint Petersburg city has been regulated by the General Plan covering the 20 years span. According to this plan, within eight years, the city area built up with residential, commercial and public objects will be expanded by at least 13 thousand hectares, gross regional product increasing by the factor of 2.5. The Leningradskaya oblast (the St Petersburg region) is expected to show a higher growth rate.

However, it is poor engineering infrastructure (power, heating, water supply and sewage services) that remains a stumbling block even for existing development projects.

According to the estimates of the Power and Engineering Committee, current power

shortage amounts to 120-150 MWt. By 2025 about 60% of the existing power generating capacities will exhaust their resources. Local water and sewage utility, GUP Vodokanal of Saint Petersburg, says that the existing daily shortage of drinking water exceeds 500 thousand cubic meters.

Fact
Saint Petersburg daily lacks 500 thousand cubic meters of drinking water and 120-150 MWt of energy.

The city government has recently approved The development strategy for power, water and sewage supply until 2015 with a perspective up to 2025. A similar document for heating system is being discussed.

Implementation of this ambitious strategy requires substantial funding over next

several years. The city government and RAO UES of Russia have already signed an agreement totaling R 300 bn regarding power development.

Svetlana Palyanova, CEO of Advanced Research financial trendsetting agency, notices that infrastructure development is no longer an issue of survival as it used to be in 1990s. Now it's time to work for future. "There have been quite a few large infrastructure-related projects re-

Svetlana Palyanova:
There is a distinct trend to involve private business in financing of Saint Petersburg infrastructure projects

cently; there is a distinct trend to involve private business in their financing. Our company assists in fund-raising for the program of development of

Eduard Batanov,
acting head of the
committee of finance

For 9 months of 2007 St Petersburg raised over USD 4.61 bn foreign investments. By the end of the year this figure should reach USD 6 bn while a year ago it was USD 5 bn. In view of the investors' plans the next year of 2008 we are expecting further growth in 2008.

southern and southwestern boroughs of Saint Petersburg. We worked hard to secure the investment transparency and safety of these long-term projects."

Representative of GUP Vodokanal confirmed that there is a growing interest of private investors and added that a raft of water and sewage development projects have been developed lately.



RUSSIA-2008 IN NUMBERS

The Russian market has long developed under the favorable conditions of excess liquidity of the Russian financial system due to the petrodollars and foreign capital inflow, which stipulated fixed demand for financial assets. Consequently, many investors got accustomed to a very high profitability in relation to the world standards. The question of whether the appetites will be satisfied in 2008 is yet to be answered. This article is a brief of macroeconomic prospects that prompt the answer to what the investors should expect of Russia-2008

VITALY OKULOV

BALANCE OF PAYMENTS

Russian stock market kept growing till the middle of 2007 under the favorable conditions of excess liquidity of the Russian financial system due to the balance of payments surplus. The inflow of petrodollars and foreign capital in the economy of Russia surpassed the import growth and stipulated fixed demand for financial assets (Chart 1).

Third quarter of 2007 gave first alarm: the peak capital inflow recorded in the second quarter changed into the outflow due to deterioration of world financial markets environment, and the trend of trade balance surplus decrease, first traced a year and a half before, became sustainable; the growth of oil price does not compensate for the import growth (Chart 2)

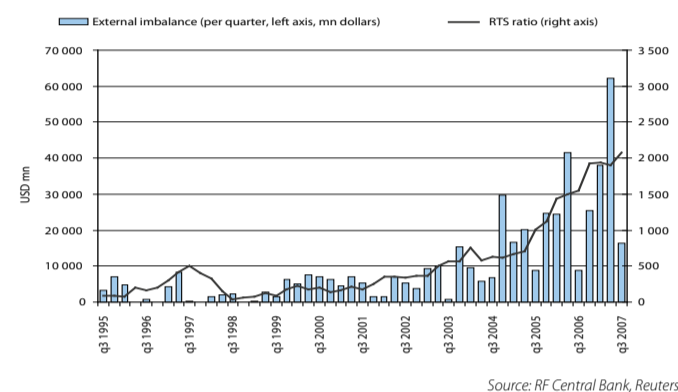
The trend of internal demand growth is very likely to be preserved in 2008, for it has an inertial nature. Consequently, the import will keep growing in 2008. Under these circumstances, oil market and capital market trends are of key importance for forecasting alterations in the Russian balance of payments. The former factor will stipulate trade balance changes in 2008, while the latter is responsible for the capital flow changes. Several scenarios are feasible:

Pessimistic scenario implies that oil price decrease will coincide with the cost of capital growth. In this case the balance of payments surplus will decompose first since 2000. So, the demand for the Russian financial assets will drastically diminish, and the stock market has very unfortunate prospects.

Optimistic scenario implies that oil price will remain unchanged for the major part of the year 2008, and the capital cost for Russian companies will not rise. In this case import growth will result in the slowdown of external imbalance growth, which won't be critical for the Russian financial system. Thus, the Russian stock market will resume its growth after the recess of 2007.

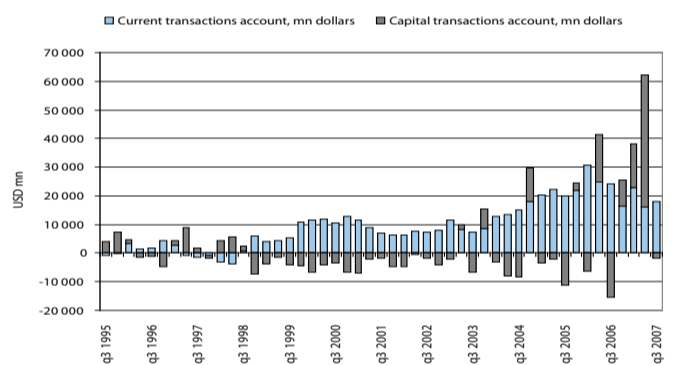
From the viewpoint of Advanced Research experts, the most feasible scenario is that Brent oil quotes will reach the range of \$ 105–115 per barrel, while the FRS rate will keep decreasing in the first half of 2008. According to this scheme, the situation in the monetary market will normalize

Chart 1. External imbalance changes and the growth of stock market



Source: RF Central Bank, Reuters

Chart 2. The structure of the Russian balance of payments



Source: RF Central Bank

by the second quarter of 2008, which will trigger capital inflow in Russia.

ECONOMIC GROWTH

The GDP structure remains unbalanced. According to the results of 2007, the industrial input into GDP will equal, by quarterly estimates, 27–29% at the average. The industry ratio for 10 months of 2007 made 6.5% compared to Jan-Oct 2006, mainly owing to manufacturing industry. The growth ratio of natural resources extraction kept on decreasing in 2007 and in the third quarter equaled only to 0.8% in relation to the corresponding period of 2006, while the manufacturing and distribution of electric energy, gas and water in three quarters in general cut down because of the slowdown in the first quarter.

Leading fields in the GDP structure for three quarters of 2007 compared to the corresponding period of 2006 were construction (22%), financial activity (10.9%), trade and repair (10.5%), and real estate transactions (8.9%). Education and medical care, as well as agriculture and pisciculture traditionally showed slower growth, though these branches are paid

special attention in the framework of national projects.

The strengthening of ruble remains the basic risk for economic growth in implementing the default scenario for oil and gas in 2008. A strong ruble increases the manufacturers' expenses, has negative impact on the competitive ability of Russian exporters, and leads to the decrease of export surplus. The net export share in GDP by the end of the second quarter decreased to 9.2% compared to 10.4% in the first quarter and will keep decreasing.

Nevertheless, in the framework of fight against inflation the monetary authorities of Russia sanctified the consolidation of the Russian currency in real terms, considering the inflation ratio, by 4.7% in relation to the trade partners countries' basket of currencies, by 15.0% in relation to dollar, and by 4.8% in

Table 1. The Structure of Financing Development Institutes from Stabilization Fund and Budget

Recipient	Source of Funds	
	Stabilization Fund, R bn	Budget, R bn
Bank for Development (Bank for Foreign Economic Activity)	180	
Russian Nanotechnologies Corporation	30	100
Housing Economy Reformation Assistance Fund		240
Investment Fund	90	

Source: Ministry of Finance

relation to euro. A more modest ruble strengthening is planned for 2008: by 2.8% only; but with the increase of inflationary pressure of money supply taken into account, a higher index becomes possible.

According to the Ministry of Economic Development and Trade estimates, the assessment of economic growth equals 6.6% for 2008, 6.3% for 2009 and 6.4% for 2010. The calculations were heightened compared to the initially provided for in the three-year budget in connection with the reconsideration of field ratios and favorable environment in the oil market.

Specialists tend to consider plan figures quite justifiable. In case of the central scenario implementation, fields oriented at domestic demand, like construction and construction materials, wholesale and retail will remain the most perspective from the point of stock market. Advanced Research trendsetters believe, that demand for machinery and equipment will stay high due to the necessity of industrial plant equipment modernization. The growth of transport is possible after 2008, when the newly launched motor plants will have started operating.

INFLATION

The basic factor of inflationary pressure on the Russian economy is the preservation of high domestic demand in the conditions of petrodollars and foreign capital inflow, as well as of large-scale increase of state expenses according to the three-year budget for 2008–2010.

Thus, R 300 bn were taken from the Stabilization Fund for financing development institutions (table 1). On the whole, R 640 bn, including R 340 bn received from sale of YUKOS assets, are to be distributed between the development institutions.

As agreed with the Central Bank of Russia and Ministry of Finance, part of this monetary means can be temporarily allocated at foreign and domestic markets, thus compensating the

present deficiency of bank liquidity, at the same time considerably increasing the supply of money.

In 2008 R 474 bn out of the remaining balance of budgetary funds are planned to be spent, including R 240 bn of Investment Fund reimbursement.

Apart from this, since February 1, 2008 Stabilization Fund will be divided into the Reserve Fund (R 3.1 trillion) and National Wealth Fund (R 767.8 bn). Its means will cover the Pension Fund deficiency, and they can be invested on more flexible terms than those of Stabilization Fund. All these budgetary innovations will trigger the inflow of considerable sums into the monetary system, which undoubtedly will have an immense inflationary pressure on the Russian economy.

Before the Presidential elections on March 2, 2008 the key task of the monetary authorities is keeping the balance between the effective implementation of investment projects in state sectors of economy and cut down of inflation to the acceptable level (7.5–8.5% in annual terms, according to the estimates of Ministry of Finance). For this purpose, the government is planning to take such anti-inflationary measures as nominal ruble strengthening, increase of export taxes, support in the commodity futures market and agreement with manufacturers on freezing the prices. The administrative measures on price deceleration is expected to be applied by the government on yet a larger scale than in 2007, and the efficiency of ruble strengthening won't be high because the dedollarization of economy process, permitting to reach the anti-inflationary effect, has almost finished. Applying administrative measures for price deceleration poses a certain threat for the retail sector that ac-

tively entering the stock market. Further increase of export taxes can render negative influence on the financial results in the export oriented fields.

After the elections the critical change of anti-inflationary policy is not to be expected. But one should expect that the plan growth of electricity rates for all the consumers (16–17%) and for the housing and public utilities (17% at the average in Russia) will mainly fall on the post-election period, though the rates for gas consumption will be increased by 25% since January 1, 2008; and the growth of transportation rates also usually falls on the beginning of the year.

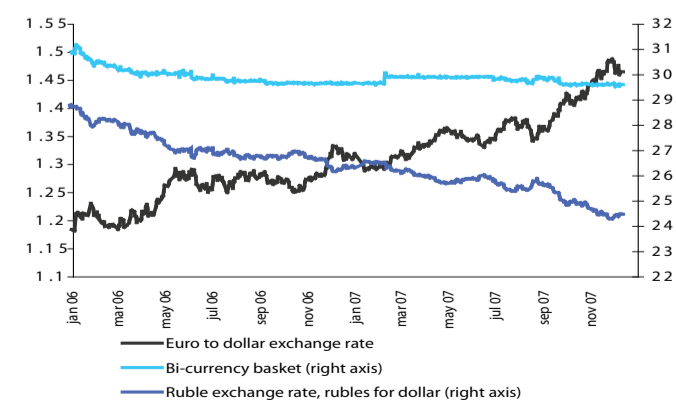
Considering all the above-mentioned factors, even the possibility of price shocks at consumer markets, like those in 2007, being excluded, the inflation ratio by the end of 2008 is expected to equal 9–10%, that is higher than 7.5–8.5%, initially planned by the government.

EXCHANGE MARKET

By the end of 2008 the euro rate can make approximately 1.400 dollars, while the Russian currency will be traded in the range of 24.75–25.20 rubles per dollar.

The year 2007 was marked with a stable growth of euro in relation to dollar: in the period from January 10 to December 10, 2007, euro consolidation made 13%. The all-time high of 1.4967 dollars for a euro was reached on November, 23 (chart 3). The most considerable fall of dollar exchange rate was in the fall due to the progress of mortgage and credit crisis in the USA and the decrease of FRS discount rate from 5.25% to 4.5%.

Chart 3. Euro and Ruble Rate Dynamics



Source: RF Central Bank, Reuters

Further decrease of FRS discount rate should help American economy overcome the recess period, raise the export competitive ability, and ease the tension at consumer and mortgage market, thus strengthening dollar position at international exchange markets already by the second quarter of 2008. On the contrary, in 2007 the ECB discount rate was increased twice (from 3.5 to 3.75% in March and to 4.0% in June) because of the high inflationary pressure in Euro zone. ECB representatives allow for further heightening of the discount rate due to the probable growth of inflation rate up to 3% in annual terms. Nevertheless, too strong euro and underestimated dollar pose a threat for European exporters.

The positive factor for the growth of US dollar is the simultaneous cut down of US budget deficiency and current account deficiency, traced in 2007 due to export increase. However, because of low discount rates the attractiveness of dollar balances falls down, and chances to reimburse the current account from abroad diminish. The price environment of energy resources market is negative for dollar as well, for the USA along with China are the main fuel consumers.

According to the mid-point of the survey of leading economists conducted by Reuters, euro to dollar exchange rate will equal about 1.480 at the beginning of 2008, will fall to 1.450 after the first quarter and will reach the mark of 1.400 by the end of the year. The midpoint Reuters forecast can be taken as a basic scenario.

In the Russian exchange market the exchange rates of euro and dollar to ruble fluctuated according to the correlation in the bi-currency basket (45 eurocents and 55 US cents), established by the Central Bank of Russia from 29.90-29.92 rubles in February to 29.60-29.62 rubles in the middle of September. In accordance with the sustained ratio for date of prognosis US dollar rate makes 24.45 rubles and euro exchange rate makes 35.95 with the current euro exchange rate at international exchange market equalling 1.4686 dollars for euro.

In connection with the increase of inflationary risks further nominal strengthening of ruble to the operating basket is possible. However, the scale of the cheapening of the basket is unlikely to exceed 30 kopecks, exactly as in 2007. The replacing of the basket anchoring in favor of floating rate is unlikely as well. According to its present structure and the basic forecast for the euro-dollar pair it can be assumed that at the end of 2008 dollar will cost 25.00-25.20 rubles, the increase range being relatively wide throughout the year, from 24.35 to 25.20 rubles. In case of further strengthening of ruble by 30 kopecks to the currency basket dollar can cost approximately 24.75-24.95 rubles at the end of 2008.

DEBT MARKET

Private sector debt growth rate saw an all-time high in the first half of 2007 (charts 4 and 5). If the rates persist for couple more years, the risk of a new crisis

Chart 4. Corporate debt growth in Russia

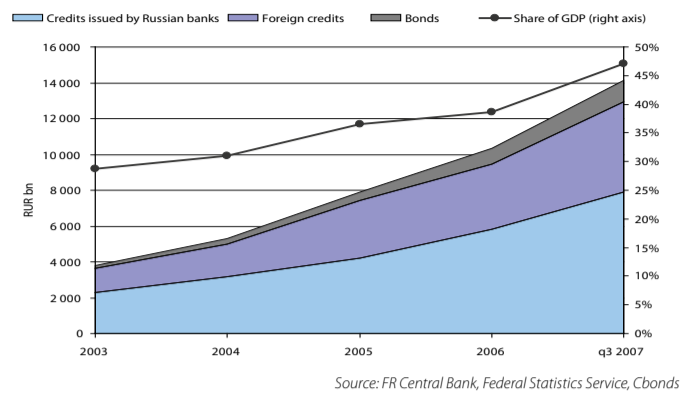
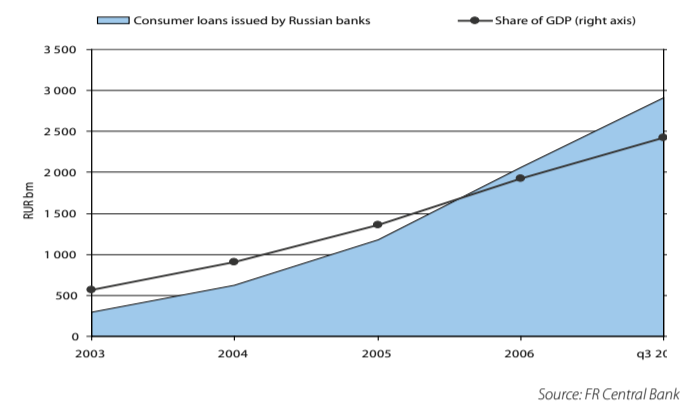


Chart 5. Private debt growth in Russia



similar to what happened in 1998 with private sector instead of governments may become a serious threat. Decrease in the liquidity came just in time to cool the redundant enthusiasm of borrowers and creditors.

At the present moment, the credit burden of Russia's corporate sector is quite moderate. Corporate debt to GDP ratio is 47%, interest payments to balanced finance result ratio is 27% (table 2). Companies' debt burden is growing faster than their finance results. However, according to the indicators traditionally used to appraise the borrowers' credit quality (debt to revenue ratio and interests to earnings before interest payments and taxes ratio), Russian corporate sector doesn't look overcredited. Some local defaults are still possible but any large scale crises are unlikely even in terms of the pessimistic scenario.

Term structure of interest rates in 2007 has changed only for short-term deposits. Short-term interest rates (under 2 years) increased within 1% in fall 2007 simultaneously with the growth in rates on the ruble money market and extension of credit spreads on foreign markets. In the result, the ruble rates curve became parallel to the USD rates curves but the spreads increased. This creates a

Table 2. Credit burden of Russian corporate borrowers

R bn	2003	2004	2005	2006	2007F
Credit tools					
Credits issued by Russian banks	2,300	3,189	4,188	5,803	7,894*
Foreign credits	1,350	1,817	3,242	3,653	5,033*
Ruble bonds	160	268	481	902	1,189*
Total corporate debt	3,810	5,274	7,911	10,358	14,116*
Share of GDP	29%	31%	37%	39%	47%
Interest payments**	453	549	689	917	1,249
Balanced finance result of the corporate sector	1,456	2,485	3,226	3,846	4,640
Interest payments to balanced finance result ratio	31%	22%	21%	24%	27%*

* as of 30.09.2007

** Advanced Research estimates

Source: FR Central Bank, Federal Statistics Service, Cbonds

growth potential for Russian debt securities that may be implemented after the situation on the financial markets becomes stable.

Given that favorable changes in macroeconomic situation of the financial markets are considered to be the most probable scenario for 2008, the existing spread between ruble and foreign rates is likely to decrease within 1%. In the event of pessimistic scenario, ruble rates will rise but this won't result in large scale crisis on the Russian debt market. The major borrower – private sector – is enduring moderate debt burden though the debt value is doubling every other year.

DEPOSIT RATES

Further dynamics of deposit rates greatly depends on the debt rates. Capitalization of Russian banks is large and they are not underestimated in relation to foreign banks. Thus, any further growth in the value of Russian banks may only be based on profit growth. The banks' managers will be paying closer attention to cost effectiveness of the business.

The banks are reluctant to decrease the margin; therefore, there is no growth potential for deposit rates. The growth we saw this fall was a local event. Deposit rates have stuck between

the lower level that depends on the internal and foreign debt rates and the upper level defined by the refinancing rate and the minimal bank margin to secure the profit growth. In 2008 the deposit rates will remain on the level of year 2007 though slight fluctuations may be caused by the events of the debt markets.

In 2006 for the first time in Russian history, long-term deposit rates exceeded consumer price index. In 2007 inflation was higher than deposit rates, which, however, did not affect the deposit growth rate (5-7% in the first quarter to 10-14% in the fourth quarter). The growth rate of deposits greater depends on the population's income growth than on deposit rates. The population's income growth will persist in 2008 which makes it reasonable to expect the same level of deposit rates as we saw in 2007.

There was a close connection between the deposit and consumer credit markets in 2007. Credit portfolio securitization tools are still not widely spread; thus, the largest retail banks have a single interest policy in attracting private funds and consumer crediting. Any decrease in credit rates will affect deposit rates.

Russian deposit market as well Russian financial market in general is properly adjusted to the macroeconomic situation. Negative effective yield does not hamper the market growth, which is of course unreasonable in terms of the economic theory. However, the government guarantees the return of deposit in the event of bankruptcy of a bank (up to R 400,000) which makes deposits the most convenient and reliable way of saving money.

STOCK MARKET

Due to the favorable external market environment and stable macroeconomic situation the Russian stock market for a long time was one of the world's leaders by capitalization growth. In 2007 it decelerated and fell behind other developing markets. However, due to a sharp rise in the 4th quarter it still outstripped the developed markets.

Growth potential of the RTS index in 2008 is around 20-30%, which means it will reach 3000 points. The market growth will be grounded by the following factors:

Continuing demand for Russian financial assets in general. According to the basic scenario, the price of Brent oil will reach \$ 105-115 by the end of 2008 while Fed Funds Target Rate will decrease to 3.25%. This will result in high ruble liquidity and create favorable external market environment thus sustaining the demand for Russian securities.

Swift economy growth. Russian economy will show a fast growth rate in 2008. The industries oriented at domestic demand, such as construction and construction materials, wholesale, retail and machinery, will be the major growth drivers.

Low political risks. On December 10, 2007 Vladimir Putin

Chart 6. Consumer deposits and loans

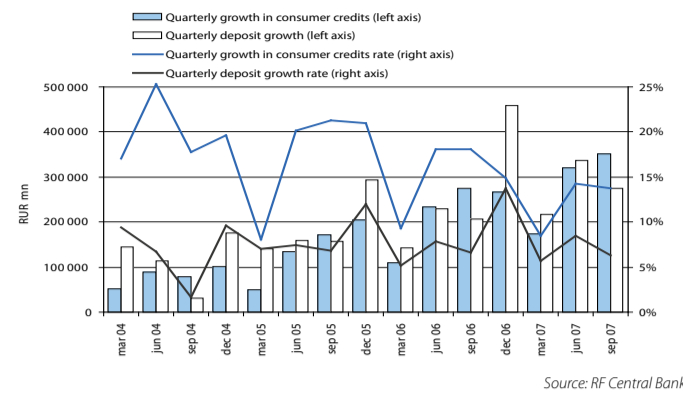
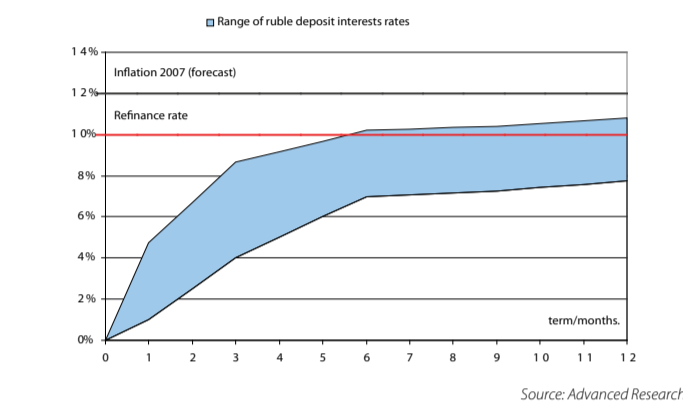


Chart 7. Time structure of ruble deposit rate



declared of his support of Dmitry Medvedev in terms of the presidential campaign. The latter is known for his liberal view of economy, which makes him a favorable figure for the stock market. This factor will be sustaining the market at least until the presidential election.

Some Russian companies and even industries are still underestimated in comparison with western companies. Excessive money liquidity and high appraisal of Russian blue chips will push up the shares of second and third tier companies.

Optimistic expectations of traders. Majority of Russian companies are estimated properly or even overestimated in comparison with western companies. Only a few issuers and industries sectors still have a growth potential. However, this does not prevent traders from optimistic expectations. An analysis of consensus forecasts of fair prices shows that major traders still see

Table 4. Average industry growth potential according to consensus forecasts

Company	Growth potential, %
Gazprom	4
Lukoil	16
MTS	-9
Norilsky Nickel	5
RAO UES	40
Rostelecom	-76
Sberbank	19
Surgutneftegaz	19
Tatneft	-6

Source: RBC, Reuters

a growth potential in some blue chips and industries. This potential may actualize under certain circumstances in 2008.

External factors, such as oil prices and capital cost, will still be playing a crucial role for the Russian economy in 2008. However, if a favorable market situation persists the internal growth factors will provide for at least the same growth rate than that of other developing markets.

Table 3. Comparison of yields by MSCI indices

	Jan-Nov 2007	2006	2005	2004	2003
MSCI Russia	26%	54%	69%	4%	70%
MSCI BRIC	59%	53%	40%	14%	84%
MSCI EM	40%	29%	30%	22%	52%
MSCI AC WOKLLD	13%	19%	9%	13%	32%

Source: MSCI, Advanced Research

Table 5. Growth potential of blue chips according to consensus forecasts

Industry	Growth potential, %	
	Average	Median
Oil and gas	0	7
Telecommunications	11	16
Banks	24	19
Energy		
OGK	6	-6
TGK	30	27
Metal	28	8
Machinery	4	3
Consumer sector	16	16
Chemistry and oil chemistry	27	22
Construction and construction materials	31	13

Source: MSCI, Advanced Research

news briefs

We employ Advanced Research because it has most qualified professionals

PETR MININ

The growing competition and soaring profits in most Russian markets make it vital for the business-owners and top-managers to focus on their core business competences that create value and outsource the minor competences at the market. Svetlana Palyanova was one of the first Russian managers to identify this trend two years ago and built up her business in financial consulting, risk management, business research, fundraising, investor relations, appraisal, and due diligence – fields in which enterprises of any size without relevant

advice can easily find themselves at the mercy of banks, counterparties or their own staff.

She launched her business in February 2006 by establishing the Advanced Research Financial Trendsetting Agency. Prior to that she had a 5-year experience as a head of the Market Research team at AVK Securities&Finance. In 2006 she started Alyans Otsenka Appraisal Company. Within two years she built up a team of 20 professionals who possess a large experience in the relevant fields. The logo of Advanced Research – a blue submarine with a periscope,

which symbolizes a deeper insight in the details of the client's business - has become recognizable by its clients and its competitors. In 2007 Svetlana Palyanova was awarded a certificate of Russian Top-manager 2007 by the editorial board of the National Encyclopedia of personalities of Russia.

"The reason of our success is the strength of our team," confides Svetlana Palyanova. "All our employees have substantial experience in the fields they are majoring in. We've got five PhDs. Two of our experts are lecturing at the St. Petersburg Schools of Economics. Two others are holding

CFA level 3 exams, which is so far a rare practice for the Russian companies." According to her words, Advanced Research is currently involved in a number of challenging projects, some of which are deemed to establish a new status quo in several sectors. For instance Advanced Research is working for Eventis Telecom – the fast growing and most promising Russian telecommunications holding.

"We often consider the possibilities of acquiring telecommunications companies both in Russia and abroad, says Dmitri Ivanter, partner in Eventis Telecom - We are permanently engaged in

the investment process, which requires estimation of the fair value of these companies. Experts making such estimations need to consider the business opportunities of the company – market opportunities, its competitive advantages and weaknesses and risks related to the investments. For this service we employ Advanced Research because it has most qualified professionals in the field of telecommunications." Svetlana Palyanova is convinced that challenging the existing leaders and establishing new trends is a key to the future growth of her business.

The UTK Southern Telecommunications Company starts \$ 140 mn credit linked note issue

Turning from an ugly duckling into a swan

MIKHAIL BAKULEV

UTK is the largest fixed line telecommunications provider in Russia's Southern federal district. Its revenue in the 1st half 2007 (under IAS) was \$ 393 mn, EBITDA \$ 152 mn, net profit \$ 28.8 mn. The largest shareholder of UTK is Svyazinvest: it owns a 38% stake in the company's chartered capital.

In the beginning of December, UTK held a competition to choose an organizer of the \$ 140 mn credit linked note issue. Despite an unfavorable situation in the debt market, the company ventured upon this step because it was indicated in

the company's financial strategy for 2007-2009 and credit portfolio restructuring plan approved in the end of 2006.

A few years ago market analysts warned of a threat of UTK's technical default. However, the company showed good performance in all fields of operation. In November Standard & Poor's increased the company's long-term credit rating from ruBBB to ruA, forecast positive. The agency noted that the new rating reflects substantial improvements in the company's operation indicators and financial profile: decrease in the debt level, limitation of capital expenses and

EBITDA growth provide for positive value of free operating cash flow.

UTK is successfully following the objectives set by Svyazinvest. By 2011, the company plans to reach the debt to EBITDA ratio equal to 2.1 against 3.7 in 2006. "Corrections in the company's key business process are the main success factor,

said Alexander Dobryaliv, director for economy and finance. Our main efforts are aimed to implement the development strategy and debt restructuring and cost savings programs. A number of problems were solved with an assistance of outsourced consultants. For example, Advanced Research took part in the development of the com-

pany's financial strategy for 2007-2009 and raising a \$ 125 mn co-loan from foreign banks."

According to the financial statements for the 1st half of 2007, EBITDA margin rose to 38.7%. The CLN issue is expected to further improve the company's operation performance and allow for debt optimization.

After completing the consolidation of 72 regional and 7 interregional telecommunications service providers, the management of Svyazinvest is focused on development and implementation of a business restructuring program aimed to establish a management system securing effective

operation and smooth development of the consolidated companies. The system includes:
· unified planning and resource management based on Oracle E-Business Suite. This will allow to unify all business processes, develop a single standard of data processing, take fast

and best managing decisions (developer: Open Technologies Inc.);
· integrated risk managements system (developers: KPMG, Cominfo Consulting, Advanced Research);
· system of operational control of cash flow (developers: Svyazbank, Advanced Research).

companies

New GSM service provider Eventis started operation in Moldova December 24, 2007

Eventis Mobile S.R.L. GSM 900/1800 network was launched on December 21, 2007, covering the territory inhabited by around 40% of Moldova population (Chişinău, Bălţi, Soroca). By the end of 2008 90% of the territory is to be covered.

The network density is one switchboard per 100,000 subscribers (may be increased to 1 mn subscribers). The equipment was supplied by NokiaSiemens Networks (260 base stations, 60 of which are already in use).

The Company profile

Eventis Mobile S.R.L. obtained a license for GSM services as well as fixed-line and IP telephony services on December 26, 2006. The first call using the Eventis network was made on August 27, 2007.

Eventis' tariffs are customer-friendly and are distinguished by a simple and transparent payment system. First customers may count on pleasant bonuses, such as free minutes and other discounts. Tariff calculation is done in Moldovan leus.

Payments are done by means prepay cards, at the Eventis service centers and via Moldpay payment terminals. The company implemented an express service system that allows for reducing the service time to 7-10 minutes.

At the moment, the only service center operates in Chişinău. Three more centers are about to open in Chişinău and Bălţi and about 20 dealer stores in Chişinău, Bălţi and Soroca.

Besides, basic telecommunications services, Eventis provides the following services: SMS, caller's number identification, call barring, call waiting, call forwarding, conference call, roaming, GPRS/GPRS (WAP, MMS, Internet), and Who Called? Service.

Eventis supports roaming in 455 networks of 196 countries.

Lentelefonstroy: change of owners

SKIF Investment Company became a new shareholder of Lentelefonstroy (LTS), the largest cable company in the northwest of Russia. A few top LTS' managers sold their stakes to SKIF. Vladimir Sklyarevsky, one of the owners of SKIF, said his company already owns a few similar companies in Russia. "We know how to manage such companies and want to develop this business in telecommunications. Thus, we purchased LTS after the due diligence done by Advanced Research," – said Sklyarevsky. The purchase of 80.5% of LTS shares was completed on November 15, 2007. Analysts estimate the value of LTS equal to around \$ 40 mn.

Russia's medical market attracts strategic investors

Recently the Bank St Petersburg became the owner of the St Petersburg's largest private polyclinic complex Moskovsky 22. This is the only private polyclinic complex established as closed joint-stock company in the city. A source close to the transaction said the bank was operating on behalf of a strategic investor. The bank does not deny the fact of the transaction but refuses to disclose any details except that the purchase was preceded by comprehensive consultations with Advanced Research. In particular, AR prepared a profound industry situation report (perspectives of commercial and insurance medicine), investment evaluation and presale operations. According to the source, the complex will be developed into a chain of private clinics in St Petersburg.

Krupskaya confectionary factory published 2006 financial statements

According to the financial statements, the output growth was 4% in natural units; the revenue increased by 12%. Net income reached \$ 103 mn. In 2006, Norwegian company Orkla purchased a 75% stake in Krupskaya factory. In March 2007 Orkla bought the remaining 25% stake. The transaction consultants were Ernst & Young (for purchaser) and Advanced Research (for seller).

Idealists vs Realists

Key trends at first hand, successful companies' experience from the first mouth, on the time and on myself

EKATERINA ZHUKOVA

INTERNATIONAL MARKETS, multinational corporations, stock exchanges, banks, participation loans. GLOBALIZATION. The free flow of finance. MONEY MAKES MONEY. Consumption grows as banking power grows. Speed is the greatest advantage at the rising markets: a business brunch in Warsaw, a lunch with your partners in London, a dinner in New-York, and your luggage is in Buenos-Aires. The global ambitions require not the inventor's genius. A 19-year old IOWA student's project can't be considered a brilliant one before a BUSINESS ANGEL has invested in it. The value of a person or a business idea is estimated by the CREDIT it can get. MONEY BEATS EVIL. Investment relations form the way of life, they encourage searching for NEW TECHNOLOGIES and solutions.

Afer all, society is imitation", as Gabriel Tarde said. And from this point of view, we all can be divided into trendsetters and trendcopiers. The inventors are often overshadowed, and their innovations gain recognition after they are managed by more socially aware and adventurous ac-

tors, bellwethers and so-called early-adopters.

The Idealists project is a research and publishing project of Advanced Research dedicated to the new, at least for the Russian reality, cluster of trendsetters, bellwethers and business idealists. Investigating these people, their way of life and value system, human and managerial principles, we investigate the future.

TO FORECAST IS TO MANAGE. This profound work has resulted into the guide in the current business trends of St Petersburg, the key tendencies of St Petersburg market development and the medium-term future of business in the city.

The project involves all the spheres of St Petersburg business activity, that any city resident and any guest of the city encounters. They make up the outlook of St Petersburg, its style, its pace, and its future. Real estate and financial institutions, trade centers and health facilities, education and public transport, tourism and restaurant business...

CURIOSITY MAKES PROGRESS. So, how does it all work? Who invented the present reality, who decided what we

should eat, drive, where we should invest and what gym courses we should take? What is sown now, and what shall we mow tomorrow?

The book bases on basically 80 deep interviews with different persons, entrepreneurs and public figures, whose charisma, intuition, success and expertise are undoubted and proven by leading position in the market. MONEY IS EXCITING, when behind the money there are keen, successful and fashionable young men.

The interviews are commented on by the experts, the quality methods and subjective forecasts are accompanied by the analysis on each of the presented market sectors. The triumph of objectivity.

The study is focused on the following market sectors: car market, catering, cinema production, city public transport, club business, education, insurance, Internet portals, fashion industry, financial institutions, galleries, law services, mass media, medical care, music production, public real estate development, publishing, residential real estate, restaurants, retail chains, sex industry, telecommunications services, tourism.



IGOR VODOPYANOV,
managing partner
of Teorema
Management Company.

The public usually dislikes the rich. Churchill once said that the best argument against democracy is a five-minute conversation with the average voter. When I drive my Porsche I am absolutely sure that I invoke no sympathy in 'average voters'.

But the society should understand that it should endure the people like me because it's them who make the progress. Our society hasn't still got used to the fact that there are rich people who are creating the future but that's how it is.

The release of the book and the project presentation are scheduled for the first quarter of 2008. This is as well the time when the summary in English will be published on the official website of the Advanced Research company at www.idea-list.aresearch.ru.

Prime Minister Zubkov arranged casting dices in Azov City

ELENA SHASHKINA

PRIME MINISTER VIKTOR ZUBKOV signed a governmental decree on establishment of the Azov City gambling zone in Shcherbinovsky district of the Krasnodar region and Azov district of the Rostov region (total area 20,021,188 square m).

'The regional government has signed an agreement with JNAir Ltd. on development of the gambling business concept in Shcherbinovsky district,' said deputy head of the Krasnodar region government Alexander Remezov. The company will be coordinating the work of architects, marketing and

research companies to present a clear development plan to investors. The zone will include casinos, slot machine parlors, horse parlors, five star hotels, restaurants, sport and spa lounges.

The government will invest R 66 bn in the zone. The major part of invest-

ments in transport and engineering infrastructure will come from Russian natural monopolies Gazprom, RAO UES, Russian Railways, etc. 'According to our expectations, private investments will reach about R 350 bn. The zone will be annually attended by 6.7 mn tourists,' said Remezov.

the starry sky above me...



AQUARIUS
(Jan 21 - Feb 19)

You will indulge into a risky project, invest all you money, work hard and finally get disappointed. That's ok; others will appreciate your toils. In the end of the year your business will soar and you'll be tired of counting your money. Just don't trust your partners too much. Maybe you underestimate your own experience and professionalism?



PISCES
(Feb 20 - Mar 20)

You will be lucky but not in business. If you have made enough over previous years now it's time to relax. Just be careful about your health and don't hesitate about taking a pill if your physician says that you should. With the money you had better hire a few more physicians. Or you might want to help someone who really needs it.



ARIES
(Mar 21 - Apr 20)

You may afford dipping yourself into most risky projects and still succeed in monetary terms. However, that may have dangerous impact on your family relations in case you have them. The best way to get away with that is working harder: winners are not to be judged. In the end of the year you will reevaluate all values and stick to less risky strategies, re-gaining the pleasure of life in love and friendship.



TAURUS
(Apr 21 - May 21)

Don't even think of reaching your goals, either personal or investment, by intrigues: you are doomed. You should rather react than act though you can try yourself in all types of creative work. Art will be your main pleasure. If you are not crazy about paint daubing or blowing a whistle, try love. But that should be a romantic relation, no intrigues, mind you. If you can afford yourself a year long vacation - don't miss your chance.



GEMINI
(May 22 - Jun 22)

You had too much things to do in the last year and probable don't want to go on with them. But the leisure time hasn't come yet. Let the people you respect catch up with you: the kinder you are the better results you will get. And don't forget about your family: a lot depends on you.



CANCER
(Jun 23 - Jul 23)

You will meet many interesting friends and find yourself in curious situations. Quite a few chances are there - don't miss them. However, it's not going to start quickly and you will probable have too much work and not too much money in the beginning of the year. Wait until the end. By next winter you will be honored, respected and rich.



LEO
(Jul 24 - Aug 23)

It's time to study again. Do not expect to get brilliant results in your work; better concentrate on your personal life. You are likely to have luck here and your family may expand. Money sources will be stable so don't be greedy about debt payments.



VIRGO
(Aug 24 - Sep 23)

You have made so many faults over the last two years - now is time to face them. Don't count on money: you won't find any. Spend all your time on brooding: some bright idea may fix the situation in the end of the year.



LIBRA
(Sep 24 - Oct 23)

No big problems whatever you do. And no sound achievements either. Keep doing what you are doing. If you by any change expect to get a legacy or super income, you may relax: not this year.



SCORPIO
(Oct 24 - Nov 22)

The beginning of the year might not seem promising. Just wait a bit: everything is going to whirl around you. That's a year to meet new partners and friends. However, that's only a road to success. If your expect glory, you should wait and save on a tailcoat. Or you may as well buy it just because you will be able to afford it.



SAGITTARIUS
(Nov 23 - Dec 21)

Moving in, moving out. In the result you will find a good place to live. If you don't have time for work, don't be upset - doesn't worth it anyway. Just do something to stay up. Everything is for the better; people are going to envy you and your family.



CAPRICORN
(Dec 22 - Jan 20)

Do risk and you won't fail. But you should keep off the routine and look for new fields. You may count on super income in that case. Personal life is going to be stable. You may be short of emotions although the opportunities are rich. Maybe that's for the better.

financial trendsetting agency



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