

**VTB EUROPE STRATEGIC INVESTMENTS LIMITED**

**Registered No. 5099766**

**DIRECTORS' REPORT AND ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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**VTB EUROPE STRATEGIC INVESTMENTS LIMITED**  
**31 DECEMBER 2012**

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**VTB EUROPE STRATEGIC INVESTMENTS LIMITED**  
**31 DECEMBER 2012**

**OFFICERS AND PROFESSIONAL ADVISORS**

**DIRECTORS**

N Hutt  
J. S. Klus (appointed 25 July 2012)

**SECRETARY**

R Munger

**REGISTERED OFFICE**

14 Cornhill  
London  
EC3V 3ND

**VTB EUROPE STRATEGIC INVESTMENTS LIMITED**  
**31 DECEMBER 2012**

**DIRECTORS' REPORT**

The directors have pleasure in presenting the Directors' Report and Accounts of VTB Europe Strategic Investments Limited (the "Company") for the year ended 31 December 2012.

**BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The Company was incorporated on 13 April 2004. The principal activity of the Company is to hold investments of a strategic nature for VTB Capital plc ("VTBC") the immediate parent undertaking, a bank incorporated in England (see note 16). VTBC's ultimate parent company is JSC VTB Bank ("VTB" and together with its subsidiaries the "VTB Group").

**STRATEGY AND FUTURE DEVELOPMENTS**

The Company will continue to operate as a vehicle for strategic investments although it is expected that as the global VTB Capital company structure develops such investments may be transferred to or undertaken by companies elsewhere within the VTB Group. The Company's latest investment is referred to in note 7.

**RESULTS, KEY PERFORMANCE INDICATORS AND DIVIDENDS**

The profit and loss account for the year is set out on page 6. The directors do not make use of any specific key performance indicators other than those set out in the Directors' Report and Accounts of VTBC. The directors consider the disclosures in these financial statements to be sufficient for an understanding of the Company's business. The retained loss for the current financial year of US\$ 39,599 (2011: profit US\$1,593,187) has been transferred to reserves. A dividend of US\$ Nil (2011: 20,000,000) was made during the year.

**PRINCIPAL RISK AND UNCERTAINTIES**

The Company's principal risks and uncertainties are managed with the principal risks and uncertainties of VTB Capital plc group of companies, ("VTBC Group"), and are therefore not managed separately. The principal risks and uncertainties of the VTBC Group, which include those of the Company, are explained in the VTBC Group's Annual Report and Accounts which does not form part of this report.

**GOING CONCERN**

The directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, these financial statements continue to be prepared on a going concern basis.

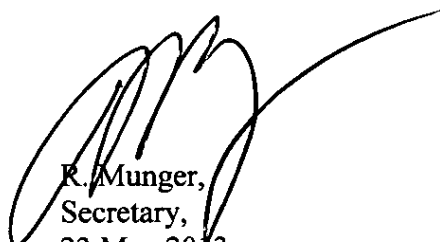
**VTB EUROPE STRATEGIC INVESTMENTS LIMITED**  
**31 DECEMBER 2012**

**DIRECTORS' REPORT (continued)**

**DIRECTORS**

The directors, who held office during the financial year ended 31 December 2012 and at the date of the report, unless otherwise indicated, are listed on page 1 of these financial statements

By order of the Board



R. Munger,  
Secretary,  
23 May 2013

**VTB EUROPE STRATEGIC INVESTMENTS LIMITED**  
**31 DECEMBER 2012**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT  
OF THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

**VTB EUROPE STRATEGIC INVESTMENTS LIMITED**  
**31 DECEMBER 2012**

**Registered No. 5099766**

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	Notes	2012 US\$	2011 US\$
<b>OPERATING PROFIT</b>	<b>3</b>		
Interest income		-	61,708
FX translation		-	-
Recovery on investments in subsidiary undertakings	7	-	1,602,462
Operating expenses		<b>(52,449)</b>	<b>(70,983)</b>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(52,449)</b>	<b>1,593,187</b>
Tax on (loss)/profit on ordinary activities	4	<b>12,850</b>	-
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		<b>(39,599)</b>	<b>1,593,187</b>

All of the company's activities are from continuing operations.

There are no recognised gains or losses for the current financial year other than as stated in the profit and loss account

There is no difference between the profit on ordinary activities before taxation and the retained profit for the financial year stated above, and their historical cost equivalents.

The notes on pages 8 to 15 form part of these financial statements

**VTB EUROPE STRATEGIC INVESTMENTS LIMITED**  
**31 DECEMBER 2012**

Registered No. 5099766

**BALANCE SHEET**  
**AT 31 DECEMBER 2012**

	Notes	2012 US\$	2011 US\$
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Investment in associated undertakings	6	2,878	2,878
Investment in subsidiary undertakings	7	2,634,566	-
<b>CURRENT ASSETS</b>			
Cash	9	356,613	3,055,672
Debtors amounts falling due after one year	10	-	-
Debtors amounts falling due within one year	10	-	-
Other investments	8	4,954,278	4,954,278
<b>Creditors: amounts falling due within one year</b>	10	(243,044)	(267,938)
<b>NET CURRENT ASSETS</b>		<b>5,076,847</b>	<b>7,742,012</b>
<b>NET ASSETS</b>		<b>7,705,291</b>	<b>7,744,890</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	144,345	144,345
Profit and loss account	13	17,741,829	17,781,428
Currency translation reserve	14	(10,180,883)	(10,180,883)
<b>TOTAL SHAREHOLDERS' FUNDS</b>	15	<b>7,705,291</b>	<b>7,744,890</b>

For the year ending 31st December 2012 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies

**Directors' responsibilities**

- the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476;
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts,

Approved by the Board of Directors on 23 May 2013, and signed on their behalf by:

N. Hutt  
Director



The notes on pages 7 to 15 form part of these financial statements

**VTB EUROPE STRATEGIC INVESTMENTS LIMITED**  
**31 DECEMBER 2012**

**NOTES TO THE FINANCIAL STATEMENTS**

**1 PRINCIPAL ACCOUNTING POLICIES**

**(a) Basis of preparation**

The financial statements are prepared under the historical cost convention, in compliance with the requirements of the Companies Act 2006 and in accordance with applicable United Kingdom accounting standards. In accordance with Financial Reporting Standard 18 ("FRS 18") "Accounting policies", the Company has reviewed its accounting policies so as to ensure that they are appropriate for the nature of the business and its operation. The Company is exempt under section 400 (for EEA immediate parents) of the Companies Act 2006 from the requirements to prepare consolidated financial statements on the grounds that it is a wholly-owned subsidiary of VTBC, a company registered in England and Wales, (see Note 17), the consolidated financial statements of which include the results of the Company, its subsidiaries and its associated undertakings and are publicly available. These financial statements, therefore, present information about the Company as an individual undertaking and not as a group.

**(b) Change in functional currency**

On 1 January 2009, the Company changed its functional and presentational currency from GBP to US\$. All assets and liabilities at that date were converted to US\$ at the prevailing 2008 year-end spot rate of \$1.44345. No non-monetary assets or liabilities have been revalued subsequent to the changes in functional currency. Changes in the value of monetary assets and liabilities as a result of a change in the US\$ foreign exchange rate have been accounted for within the profit and loss account. The retained earnings of the Company have been restated to reflect the historic US\$ exchange rate when these profits were earned. The difference between these restated amounts and the retained earnings amount as converted at \$1.43345 is shown within the Currency translation reserve within equity.

**(c) Investment in associated undertakings**

Investments in associated undertakings are stated at cost less impairment. An associated undertaking is generally one in which the Company's interest is more than 20% and no more than 50% and where the Company exercises a significant influence over the entity's operating and financial policies.

**(d) Investment in subsidiary undertakings**

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Investments in subsidiary undertakings are stated at cost less impairment.

**VTB EUROPE STRATEGIC INVESTMENTS LIMITED**  
**31 DECEMBER 2012**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

**(e) Other investments**

Securities held are shown at the lower of cost or net realisable value less any provision for impairment in value.

**(f) Interest**

Interest is charged or credited to the profit and loss account as it accrues

**(g) Deferred Taxation**

Deferred taxation is recognised in respect of all timing differences, arising from transactions or events that result in an obligation to pay more tax in the future, or right to pay less tax in the future, which have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements. Deferred tax assets are recognised on this basis only to the extent that it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted or where they can be offset against deferred tax liabilities. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**(h) Foreign currency translation**

The financial statements are prepared in US\$, the functional currency of the Company. Foreign currency transactions are translated into US\$ using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than US\$ are retranslated at the rate prevailing at the balance sheet date and any exchange differences arising are taken to the profit and loss account.

**(i) Dividends from associates**

Dividends are recognised in the profit and loss account in the year in which the Company has a right to receive such consideration. No such dividends were received in the year, (2011 Nil).

**(j) Impairment of financial assets**

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. Impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events having occurred after the initial recognition of the asset and prior to the balance sheet date ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset and can be reliably estimated.

**VTB EUROPE STRATEGIC INVESTMENTS LIMITED**  
**31 DECEMBER 2012**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2 CASHFLOW STATEMENT AND RELATED PARTY DISCLOSURES**

As a wholly-owned subsidiary (see note 16), the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (Revised 1996) "Cash Flow Statements". The Company is also exempt under the terms of FRS 8 "Related Party Disclosures" from disclosing related party transactions (but not balances) with entities that are part of the VTBC Group or investees of the VTBC Group. All balances with related parties are appropriately disclosed in these financial statements.

**3 OPERATING PROFIT**

The directors consider that there is no amount in the context of the Company's business which reasonably corresponds to turnover. The principal activity during the year was carried out predominantly in the United Kingdom and Russia.

Auditors' remuneration of Nil (2011: \$15,000) was borne by the immediate parent company, VTBC.

The emoluments of the directors are paid and borne by the immediate parent undertaking. The directors' services to this Company are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the immediate parent undertaking. Accordingly, no emoluments have been included here in respect of the directors. No contributions were made, by the Company, under defined benefit or defined contribution pension schemes, on behalf of its directors.

No employees are employed by the Company. Administration expenses are borne by the immediate parent company.

**4 TAX ON LOSS ON ORDINARY ACTIVITIES**

	2012 US\$	2011 US\$
UK corporation tax		
Current tax on income for the year at 24.5% (2011: 26.5%)	-	-
Adjustments in respect of prior periods	12,850	-
	<u>12,850</u>	<u>-</u>

**VTB EUROPE STRATEGIC INVESTMENTS LIMITED**  
**31 DECEMBER 2012**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**4 TAX ON LOSS ON ORDINARY ACTIVITIES (continued)**

A reconciliation of the charge that would result from applying the standard UK corporation tax rate to the loss before tax and the current tax charge for the year is given below:

	2012 US\$	2011 US\$
(Loss)/profit on ordinary activities before tax	(52,449)	1,593,187
Tax credit/(charge) at UK corporation tax rate of 24.5% (2011: 26.5%)	12,850	(422,195)
Effect of		
Partnership losses	-	3,403
Tax on foreign profits	-	(16,069)
Profits/(losses) arising in the year not chargeable/relievable against current tax	-	424,652
Adjustment in respect of prior periods	(12,850)	-
Utilised losses from prior years	-	10,210
Current tax charge for the year	-	-

The reduction in UK corporation tax rate from 25% to 23% (following the 2012 Budget) was substantially enacted in July 2012 and became effective from April 2013. In addition, the government announced its intention to further reduce the UK Corporation tax rate to 21% with effect from 1 April 2014.

There is an unrecognised deferred tax asset of US\$148,465 (at 23%) in respect of excess management expenses carried forward. If the 21% tax rate is enacted, the unrecognised asset is measured as \$135,555.

**5 DIVIDENDS PAID**

A dividend of US\$ 20 million was approved by the Board of VTBSI on 9th December 2011 and paid to the parent company, VTBC, on 13th December 2011. No dividend was approved in 2012.

**VTB EUROPE STRATEGIC INVESTMENTS LIMITED**  
**31 DECEMBER 2012**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**6 INVESTMENT IN ASSOCIATED UNDERTAKINGS**

	<b>2012</b>	<b>2011</b>
	<b>US\$</b>	<b>US\$</b>
At beginning of financial year	<b>2,878</b>	<b>2,878</b>
Additions/disposals	-	-
At end of financial year	<b>2,878</b>	<b>2,878</b>

The Company's interests in its principal associates are as follows:

<b>2012</b>	<b>Country of incorporation</b>	<b>Shares held at beginning of financial year</b>	<b>Acquisitions during the year</b>	<b>Shares held at end of financial year</b>	<b>% interest held</b>
<b>Eagle Venture Partners Limited</b>	<b>Guernsey</b>	<b>2,000</b>	<b>-</b>	<b>2,000</b>	<b>26.7%</b>

<b>2011</b>	<b>Country of incorporation</b>	<b>Shares held at beginning of financial year</b>	<b>Acquisitions during the year</b>	<b>Shares held at end of financial year</b>	<b>% interest held</b>
<b>Eagle Venture Partners Limited</b>	<b>Guernsey</b>	<b>2,000</b>	<b>-</b>	<b>2,000</b>	<b>26.7%</b>

Eagle Venture Partners Limited manages the investments in Eagle Russia Fund LP on behalf of investors and is also the General Partner of Eagle Russia Fund LP.

**7 INVESTMENT IN SUBSIDIARY UNDERTAKINGS**

	<b>2012</b>	<b>2011</b>
	<b>US\$</b>	<b>US\$</b>
At beginning of financial year	-	6,997,518
Return of capital investment	-	(6,997,518)
Additions	<b>2,634,566</b>	-
At end of financial year	<b>2,634,566</b>	-

**VTB EUROPE STRATEGIC INVESTMENTS LIMITED**  
**31 DECEMBER 2012**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**7 INVESTMENT IN SUBSIDIARY UNDERTAKINGS (continued)**

In August 2010 Nevsky Property Investors LP ("NPI LP") was dissolved and the investments in Nevsky Property Investments Limited ("NPI") and Nevsky Property Finance Limited ("NPF"), previously held by NPI LP, were transferred to VTBSI. In November 2010 Nevsky Properties Limited ("NPL") was transferred to VTBSI from Nevsky Property Asset Management Limited ("NPAM"). NPAM was subsequently dissolved in July 2011. As part of the restructuring of the Nevsky Group of companies the underlying property portfolio of the Group was disposed of in April 2011 and the proceeds from the disposal remitted to VTBSI. These proceeds have been utilised to settle the intercompany loan due from NPF and eliminate VTBSI's investment within NPI, NPF and NPL. On 4 December 2012 Nevsky Properties Limited was transferred to VTBC

On 25 July 2012 the Board of Directors approved the incorporation of a new wholly owned subsidiary of VTBSI, VTB Capital Property Services Inc, established in Delaware, USA, to trade as a facilities provider to VTB Group entities. As a result VTBSI contributed \$2,634,566 to acquire 2,634,566 \$1 ordinary shares in the company on 18 December 2012

<b>2012</b>				
<b>Name of subsidiary</b>	<b>Place of incorporation and operation</b>	<b>Proportion of ownership interest</b>	<b>Proportion of voting power held</b>	<b>Principal activity</b>
VTB Capital Property Services Inc	United States of America	100%	100%	Facilities Provider
Nevsky Property Investments Limited	Cyprus	100%	100%	Property Investment
Nevsky Property Finance Limited	Cyprus	100%	100%	Property Finance
<b>2011</b>				
<b>Name of subsidiary</b>	<b>Place of incorporation and operation</b>	<b>Proportion of ownership interest</b>	<b>Proportion of voting power held</b>	<b>Principal activity</b>
Nevsky Property Investments Limited	Cyprus	100%	100%	Property Investment
Nevsky Property Finance Limited	Cyprus	100%	100%	Property Finance
Nevsky Properties Limited	Cyprus	100%	100%	Property Advisory

**VTB EUROPE STRATEGIC INVESTMENTS LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**8 OTHER INVESTMENTS**

Other investments comprise capital contributions to Eagle Russia Fund LP, an investment fund managed by Eagle Venture Partners Limited and an investment in Oryol Venture Partners

	<b>2012</b>	<b>2011</b>
	<b>US\$</b>	<b>US\$</b>
At beginning of financial year	<b>4,954,278</b>	4,954,278
Redemptions	-	-
At end of financial year	<b><u>4,954,278</u></b>	<b><u>4,954,278</u></b>

VTBSI holds a 33.3% stake in Eagle Russia Fund LP but it is not disclosed as an associate as it has no significant influence over the partnership. Eagle Russia Fund LP is structured so that all management and investment decisions are taken by Eagle Venture Partners Limited, the General Partner and 'fund manager'. Decision making within Eagle Venture Partners Limited is based upon a simple majority vote. VTBC, the immediate parent of VTBSI, has one vote out of a total of 6 directors on the Board of Eagle Venture Partners Limited.

**9 CASH**

The Company's cash balance is held within a non interest bearing account with the Company's immediate parent, VTBC

**10 CREDITORS**

	<b>2012</b>	<b>2011</b>
	<b>US\$</b>	<b>US\$</b>
<b>Amounts falling due within one year:</b>		
Corporation tax payable	-	-
Amounts due to immediate parent undertaking	<b>225,888</b>	227,938
Accruals	<b>17,156</b>	40,000
	<b><u>243,044</u></b>	<b><u>227,938</u></b>

**VTB EUROPE STRATEGIC INVESTMENTS LIMITED**  
**31 DECEMBER 2012**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**11 CALLED UP SHARE CAPITAL**

	<b>2012</b>	<b>2011</b>
	<b>US\$</b>	<b>US\$</b>
Authorised, allotted, called up and fully paid ordinary shares of £1 each		
At beginning of financial year	<b>144,345</b>	144,345
At end of financial year	<b>144,345</b>	144,345

**12 PROFIT AND LOSS ACCOUNT**

	<b>2012</b>	<b>2011</b>
	<b>US\$</b>	<b>US\$</b>
At beginning of financial year	<b>17,781,428</b>	36,188,241
Retained (loss)/profit for the financial year	<b>(39,599)</b>	1,593,187
Dividend	-	(20,000,000)
At end of financial year	<b>17,741,829</b>	17,781,428

**13 CURRENCY REVALUATION RESERVE**

	<b>2012</b>	<b>2011</b>
	<b>US\$</b>	<b>US\$</b>
At beginning of financial year	<b>(10,180,883)</b>	(10,180,883)
Movement during the year	-	-
At end of financial year	<b>(10,180,833)</b>	(10,180,833)

The currency revaluation reserve represents the difference between the retained earnings of the Company at historic US\$ average rates against the year-end actual rate on conversion of its functional currency from GBP to US\$

**14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>2012</b>	<b>2011</b>
	<b>US\$</b>	<b>US\$</b>
Opening shareholders' funds	<b>7,744,890</b>	26,151,703
(Loss)/profit for the financial year	<b>(39,599)</b>	1,593,187
Dividend distribution	-	(20,000,000)
Closing shareholders' funds	<b>7,705,291</b>	7,744,890

**VTB EUROPE STRATEGIC INVESTMENTS LIMITED**  
**31 DECEMBER 2012**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**15 POST BALANCE SHEET EVENTS**

On 20 March 2013 the Board of Directors approved the sale of NPI to VTB Capital PE Holding (Cyprus) Limited

**16 ULTIMATE HOLDING COMPANY**

The Company is a direct subsidiary of VTBC, a bank incorporated in England and authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority. A copy of the consolidated financial statements of VTBC may be obtained from 14 Cornhill, London EC3V 3ND. VTB, which is incorporated in the Russian Federation, is the ultimate parent undertaking of VTBC, and is the ultimate controlling party. The Annual Report and Accounts of VTB are available on its website, [www.vtb.com](http://www.vtb.com).