

**Depository Interregional Securities Union  
Open Joint Stock Company  
Annual Report 2006**

Dear Colleagues, Partners, Participants!

Interregional Securities Union Open Joint Stock Company (hereinafter IRSU Depository) has been successfully functioning in Ukraine for ten years now. And the results of work of its specialists as well as joint efforts of stock market participants are evident - new services are introduced, operations and securities serviced are expanding constantly. In 2006 the Securities and Stock Market State Committee (hereinafter SSMSC) granted licenses to IRSU Depository permitting to fulfill depository and cash-and-settlement activity for further ten years.

As of January 1, 2007 IRSU Depository services securities of nominal value UAH 126 billion, with the volume of securities in non-documentary form 1.8 times exceeding the volume of securities in documentary form. It indicates that issuers are interested in issuing securities in non-documentary form and being serviced at IRSU Depository. During 2006 alone more than 500 issuers came to IRSU Depository and more than 1,000 of global certificates of securities issues were deposited.

Among types of securities being serviced by IRSU Depository shares are traditionally in majority. They form 44% of the quantity of non-documentary securities issues and 99% of the quantity of documentary securities issues that are serviced by IRSU Depository. Considerable growth rate characterize non-documentary bonds, their nominal value having increased 2 times and making UAH 33.5 billion.

IRSU Depository proceeds with servicing investment certificates - their nominal value increased 2,6 times during the year and has reached UAH 16 billion by now - and working with their issuers. In particular in 2006 IRSU Depository specialists have developed and put into operation the possibility to open separate securities accounts for investment funds of an asset management company. This allowed to register operations and payments for performed services for each investment fund separately.

During the reporting period IRSU Depository began to service such instruments of the stock market as bearer savings (deposit) certificates nominated in foreign currency, and certificates of real estate operations fund.

Among achievements of IRSU Depository in 2006 one can point to further introduction of electronic document circulation with stock market participants. Particularly, to obtain inquiries and provide registrars with consolidated registers of beneficial owners of registered securities the system of electronic interaction of IRSU Depository and registrars has been developed and put into operation. The electronic system of remote access of securities issuers - IRSU Depository clients - to securities accounts has been developed.

The programme of changing of the encriptic protection system of the electronic settlements system of IRSU Depository to the new means of encriptic data protection certified by the Security Service of Ukraine has been developed. By now almost half of IRSU Depository participants are prepared to work in the new system.

To enable the access of custodians or their clients to tradings we have developed and put into operation procedures on free of payment delivery of securities upon lists received from trade organizers with prior reservation of securities and cash liabilities.

Being one of the key elements of the Ukrainian stock market IRSU Depository considers its main aim the maximum satisfaction of requirements of the stock market participants.

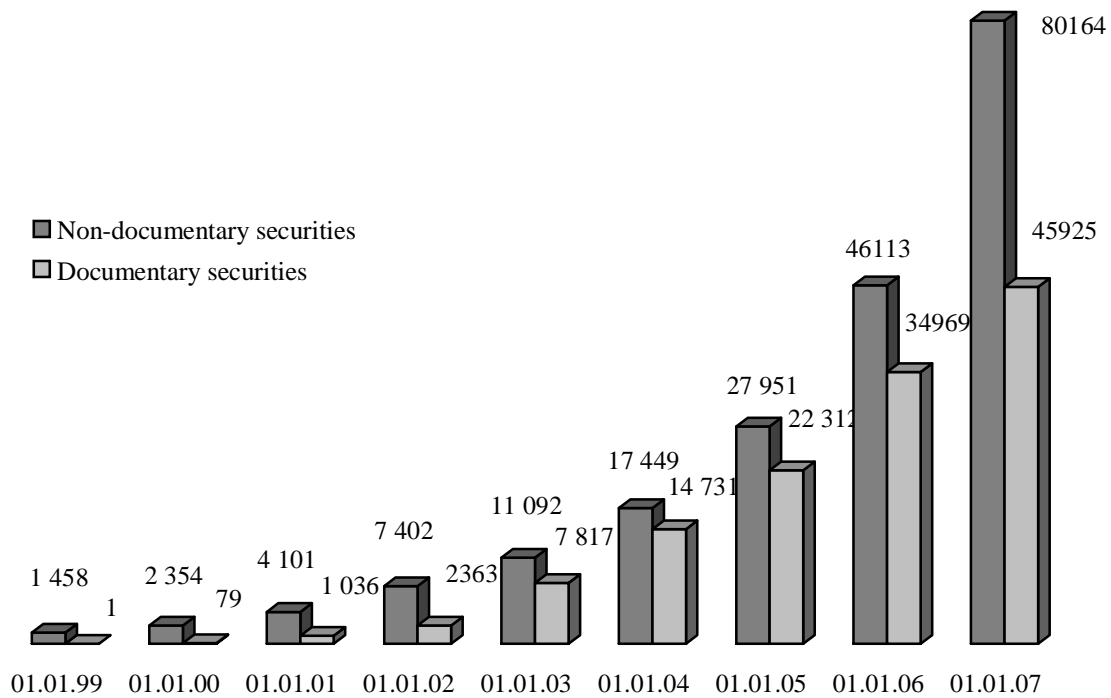
Expressing our thanks to our shareholders, clients and partners we hope that our joint efforts will help us to reach new heights in building of depository system of Ukraine.

**Results of IRSU Depository Activity in 2006**

Clients and Partners

	01.01.2006	01.01.2007
Number of issuers - clients of IRSU Depository	1,471	1,974
Number of custodians - participants of IRSU Depository system	163	187
including banks	93	103
traders	70	84
Number of trade organizers - partners of IRSU Depository	9	10
Number of registrars that keep registers with IRSU Depository as a nominee	442	457

Assets Serviced by IRSU Depository, UAH mlns



### Visiting Card

Date of foundation of IRSU Depository - March 1997.

Organizational and legal form - open joint stock company.

First operation in IRSU Depository system - February 27, 1998.

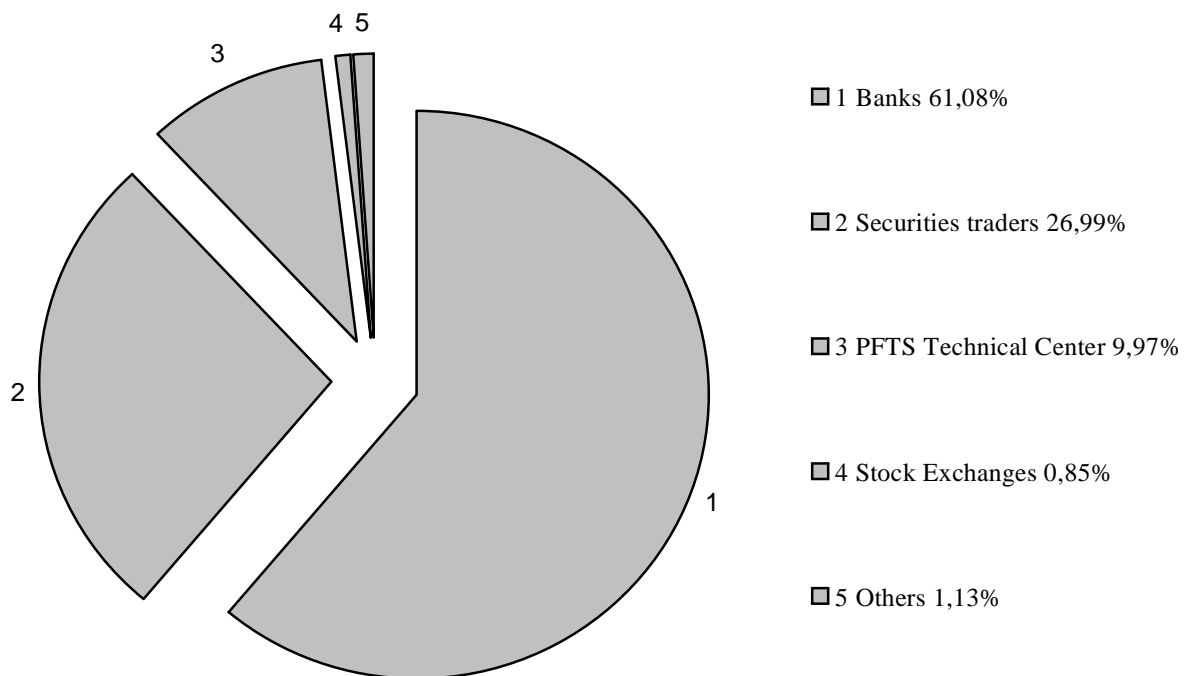
The registered statutory capital (as of 01.01.07) - 4,364,800 UAH.

Founders of IRSU Depository include: the National Bank of Ukraine, the State Savings Bank of Ukraine, First Ukrainian International Bank of Ukraine, PrivatBank, Prominvestbank and others.

IRSU Depository unites assets and efforts of the leading entities of the national securities market and direct them at activization of the stock market in Ukraine with the purpose to introduce modern and user-friendly mechanisms of securities circulation servicing.

As of January 1, 2007 contributions to IRSU Depository statutory capital had been made by 57 banks, 29 securities traders, such trade organizers as PFTS Technical Center, stock exchanges Ukrainian Interbank Currency Exchange (UICE) and Kyiv Interbank Currency Exchange (KICE), and others.

IRSU Depository Ownership Structure as a Result of Five Registered Issues



## Major Events of 2006

- April system of electronic interaction of IRSU Depository and registrars to obtain inquiries and provide registrars with consolidated registers of beneficial owners of registered securities has been developed and put into operation.
- July IRSU Depository specialists have developed and put into operation possibility to open separate securities accounts for investment funds of an asset management company which allowed separate record-keeping of operations and payments for performed services for each investment fund of an asset management company.
- Introduction of new balance accounts in depository record-keeping according to the new Law of Ukraine On Securities and Stock Market.
- November IRSU Depository was granted licenses from the SSMSC of a professional securities market participant to carry out depository and settlements-and-clearing activities for further ten years.
- December Electronic system of remote access of securities issuers - IRSU Depository clients - to securities accounts within IRSU Depository has been developed.

## Corporate Principles

**INDEPENDENCE.** IRSU Depository is an independent organization and represents interests of its shareholders - professional stock market participants, such as banks, securities traders, trade organizers.

**CONVENIENCE.** Every investor can get access to all IRSU Depository services through securities custodians of his choice - participants of the IRSU Depository system, and are located in fourteen regions of Ukraine and cooperate with IRSU Depository by electronic links. Registerholders have possibility to receive consolidated register of beneficial owners of registered securities through the system of electronic interaction of IRSU Depository and registrars. Electronic document circulation with securities issuers may be set up through the system of remote access of IRSU Depository clients to securities accounts opened within IRSU Depository.

**RAPIDITY.** Re-registration of securities ownership rights is carried out in accordance with the international standards within one business day (in case of free of payment delivery of securities) or within three business days (in case of securities' delivery versus payment).

**RELIABILITY.** Daily matching of information concerning balances of securities in securities accounts of custodians, ongoing monitoring of due fulfillment of instructions given by the participants of the IRSU Depository system, supervision of corporate actions, and the possibility to use the delivery versus payment principle ensure reliability of the services rendered by IRSU Depository to its clients.

Legal Basis



IRSU Depository holds the license of a professional securities market participant to carry out depository activity (series AB #189728, Nov. 07, 2006) granted by the SSMSC for ten years.

IRSU Depository holds the license of a professional securities market participant to carry out settlements-and-clearing activities (series AB #189729, Nov. 07, 2006) granted by the SSMSC for ten years.



The license AA#720849, Jun. 3, 2004, to IRSU Depository to use and operate the means of encriptic data protection and cryptographic systems, as well as provide services of cryptographic protection of information, was issued by the Department of Special Telecommunications Systems and Information Protection of the Security Service of Ukraine for three years.

## Corporate Governance

The highest governance body of IRSU Depository is the **General Shareholders Meeting**.

**The Supervisory Board** is formed of IRSU Depository shareholders (at least nine members). It supervises activities of the Management Board, as well as represents and protects the interests of the shareholders during the period between the General Shareholders Meeting.

### **Deputy Chairman of the Supervisory Board**

Borys Vladyslavovych Tymonkin                      Chairman of UkrSotsbank Management Board

### **Members of the Supervisory Board**

Oleh Borysovykh Andronov	Chairman of UICE Board of Directors
Natalia Borysivna Havrylyuk	Member of Prominvestbank Management Board
Vadym Valentynovych Hryb	General Director of Tekt Asset Management Company
Oleksandr Valeriyovych Morozov	Chairman of Oshchadbank Management Board
Iryna Oleksandrivna Zaria	Director of PFTS Technical Center
Konstyantyn Yevhenovych Medvedev	Vice-President of IC Business-Invest
Tymur Yuriyovych Novikov	Deputy Chairman of PryvatBank Management Board
Oleksandr Ivanovych Dovhopolyuk	Chairman of PUMB Bank Management Board
Hryhoriy Arkadiyovych Hurtovyi	Director of Renaissance Capital Ukraine

**The Audit Committee** is composed of no more than five shareholders. It controls financial and operational activities of IRSU Depository. The Audit Committee is accountable to the General Shareholders Meeting and reports the results of its inspections to it. During the period between the General Shareholders Meetings it reports to the Supervisory Board.

### **Chairman of the Audit Committee**

Serhij Anatoliyovych Shevchenko                      Chairman of Sophia Tsinni Papery Management Board

### **Deputy Chairman of the Audit Committee**

Volodymyr Vasylyovych Chornovil

### **Members of the Audit Committee**

Oleksandr Serhiyovych Ivancov  
Oksana Vasylivna Kyriyenko  
Serhiy Anatoliyovych Matviychuk

**The Council of Participants** includes the shareholders of IRSU Depository - the participants of the IRSU Depository system in order to resolve methodical and current issues related to professional depository activities of IRSU Depository's participants, and coordinate depository and settlement-clearing activities of all participants of IRSU Depository system. Members of the Council are representatives of banks, securities traders and trade organizers.

<b>Banks:</b>	<b>Security traders:</b>	<b>Trade organizers:</b>
VaBank	Altera-Finance	PFTS
Interbank	Kinto	UICE
Kredyt-Dnipro	Renaissance Capital Ukraine	
Petrocommerc	Rosan Tsinni Papery	
Ukreximbank	Tekt Asset Management Company	
Ukrinbank		
Ukrsotsbank		

Vadym Valentynovych Hryb, General Director of Tekt Asset Management Company is the Chairman of the Council of IRSU Depository Participants.

In 2006, there were two meetings of the Council of Participants at which the following questions were discussed:

- Draft Law of Ukraine On Depository Record-Keeping System in Ukraine;
- Approval of tariffs of IRSU Depository for such issuers as asset management companies.

## **Organizational Structure**

**The Management Board** is an executive body of the company performing management of its current activities. It is appointed by the Supervisory Board for three years.

### **Chairman of the Management Board**

Mykola Pavlovych Shvetsov

### **First Deputy Chairman of the Management Board**

Yuriy Ivanovych Shapoval

### **Members of the Management Board**

Oleksiy Anatoliyovych Konstantinov

Oleksandr Vadymovych Maikov

Tamara Oleksiyivna Tsybalyuk

### **Clients Servicing Department**

Works directly with the clients of IRSU Depository - issuers and custodians. It deals with the income and outcome correspondence. It is composed of the following units:

- customer relation unit;
- registrar relation unit;
- general unit.

### **Operational Department**

Executes operations within IRSU Depository through the system of electronic settlements of IRSU Depository. The department is composed of the following units:

- settlements unit;
- clearing unit;
- unit of assets record-keeping and operations with assets.

### **Accounting and Inspection Department**

Is vested with the duties of tax and financial accounting, financial statements of the company, internal inspections, transferring of taxes and duties stipulated by the legislation, settlements with other creditors according to contractual obligations. It is composed of the following units:

- accounting unit;
- unit of depository operations record-keeping.

### **Information Technology Department**

Provides support to the present software and develops the new software for IRSU Depository. It is composed of the following units:

- software development unit;
- software support unit.

IRSU Depository also comprises the following independent units:

- administrative office;
- analytics and reporting unit;
- international relations unit;
- legal unit;
- security unit;
- unit for monitoring and audit of depository operations.

## **Clients Servicing Department**

Clients Servicing Department is IRSU Depository structural unit where a major work with IRSU Depository clients is provided.

The department is vested with the following tasks:

- to process the incoming and outgoing correspondence;
- to carry out negotiations and conclude agreements with issuers, custodians, and registrars;
- to provide consultations to IRSU Depository clients; receive and check clients' documents, deliver instructions to carry out depository operations;
- to provide information on clients' requests;
- to receive and process clients' requests and give out consolidated registers of beneficial owners of registered securities;
- to interact with registrars in terms of functions of IRSU Depository of a nominee in registers of beneficial owners of registered securities deposited within IRSU Depository.

## **Operational Department Settlements Unit**

Settlements Unit of Operational Department is IRSU Depository's structural unit where the work with securities accounts is carried out.

The unit performs the following functions:

- Opens and keeps securities accounts of custodians and issuers;
- Performs record-keeping of operations with securities upon custodians' and issuers' instructions;
- Services issuers' operations with their securities;
- Transfers issues from documentary form into non-documentary form and vice versa;
- Forms statements from clients' securities accounts;
- Build up consolidated registers of beneficial owners of registered securities;
- Informs custodians (message sending) about general shareholders meetings by issuers whose securities are registered at IRSU Depository;
- Interacts with the SSMSC on questions of circulation suspension and writing-off of securities as a result of cancellation of non-documentary securities issues;
- Maintains directories in the system of electronic settlements of IRSU Depository;
- Consults IRSU Depository clients (custodians, issuers) on performance of depository operations, and records of issuers and securities.

## **Clearing Unit**

Clearing unit of Operational Department is IRSU Depository's structural unit where the work with trade organisers and custodians on clearing and settlements is carried out.

Functions of the unit are:

- Settlements of transactions with securities according to delivery versus payment principle;
- Settlements of transactions with securities concluded at trade organizers upon lists received from trade organizers without prior reservation of securities;
- Settlements of transactions with securities concluded at trade organizers upon lists received from trade organizers with prior reservation of securities;
- Settlements of transactions with securities concluded at trade organizers upon lists received from trade organizers with prior reservation of securities and cash (cash liabilities);
- Ensuring short-term refinancing of commercial banks (custodians or custodians' clients) by the National Bank of Ukraine with corporate securities serviced by IRSU Depository as a pledge.

- Ensuring interbank lending for commercial banks (custodians' or custodians' clients') with corporate securities serviced by IRSU Depository as a pledge.
- Performance of dividends payments, interest income and bonds redemption payments onto accounts of custodians for further payments to beneficial owners;
- Consulting IRSU Depository clients on performance of clearing and settlements operations.

### **Unit of Assets Record-Keeping and Operations with Assets**

Unit of Assets Record-Keeping and Operations with Assets is a structural unit of Operational Department which performs deposit and record-keeping operations with depository assets of IRSU Depository.

The main tasks of the unit are:

- to perform operations on depositing and record-keeping of global (interim global) certificates when accepting securities in non-documentary form for servicing at IRSU Depository;
- to perform operations of immobilization and materialization of securities;
- to perform operations of bearer securities immobilization;
- to perform operations of immobilization and materialization of repurchased securities;
- to interact with delivery services on sending and receiving of immobilization certificates in cases of urgent immobilization and materialization of securities;
- to supervise replacements of registrars that keep registers where IRSU Depository is a nominee;
- to interact with registerholders concerning corporate operations on immobilized in IRSU Depository securities (denomination, indexation, reorganization, change of form of issue etc);
- to write-off securities as a result of issue cancellation, interaction with the SSMSC on immobilized issues cancellation;
- to maintain database of registrars, issuers and securities regarding immobilized issues;
- to consult IRSU Depository clients (custodians, issuers) on performance of depository operations, as well as on registrars, issuers and securities database maintenance.

## **Information Technology Department and Security Unit**

During the reporting period the necessary SES software has been installed for 26 new custodians and they joined the system of electronic settlements of IRSU Depository (SES).

IRSU Depository's assets record-keeping software subsystem has been developed and put into operation.

A new version of the SES software that implements improved record-keeping of assets of asset management companies has been developed and put into operation.

A new version of the SES software that enables connection of the issuers to IRSU Depository in remote access mode through the Internet has been developed and is being prepared to be put into operation.

During the reporting period the SES software subsystem that implements operations regarding settlements of transactions upon information from trade organizers with prior reservation of securities and cash was tested in conjunction with PFTS specialists.

A new version of the SES software which implement securities settlements upon information from trade-and-information system "Perspectyva" with prior reservation of securities and cash has been developed and put into operation.

A new version of the software to generate custodian's regular reporting to the SSMSC in electronic and paper form has been developed and put into operation.

The subsystem Tariffs that calculates the cost of services that a depository institution (depository, custodian) provides to its clients was updated.

The security unit has created a programme that changes the present IRSU Depository encryption protection system to the new means of information protection certified by the Department of Special Telecommunications and Information Protection of the State Security Service of Ukraine. According to the programme a time-table was made-up to renew the means of encryption protection (reinitialization of start-cards, forming and input of new key information into the start-cards, the SES software update). By now almost all IRSU Depository clients are prepared to work in the new system.

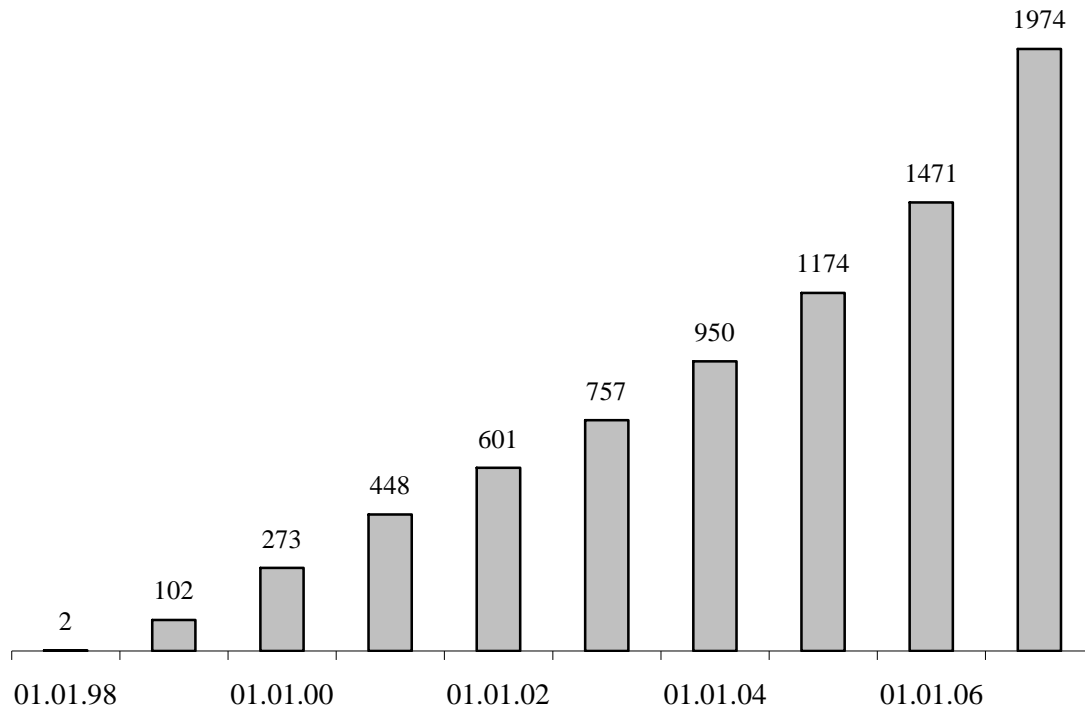
In September-December 2006 investigation of possibilities of setting the means of encryption protection for the issuers (on-line mode) has been held. As a result of this work the methods and demands for interaction of IRSU Depository with its clients on-line were determined.

In 2007 a further update and development of the SES software and technologies of its usage is expected in order to provide compliance with demands of the leading information technologies.

## Services for Issuers - Clients of IRSU Depository

IRSU Depository services issuers of non-documentary securities.

Number of Issuers' Accounts Opened at IRSU Depository



### Services Provided to Issuers

Servicing of global operations with securities issues:

- Depositing/replacing/writing-off global or interim global certificates of securities issues and entering the respective securities or writing them off;
- Corporative operations with a securities issue;
- Collection and build-up of consolidated registers of beneficial owners of registered securities;
- Payment of dividends;
- Payment of interest income and bonds redemption.

Servicing of operations related to holdings of securities:

- Transfer of securities to the beneficial owners' accounts at custodians' accounts at primary distribution, as well as according to registers from issuers or instructions delivered by fax (provided the corresponding agreement is concluded);
- Securities repurchasing.

*In 2006, securities issuers deposited 1 049 global certificates of securities issues.  
As of January 1, 2007, there are 2 673 non-documentary securities issues  
for a total nominal value of UAH 80 billion  
on issuers' accounts at IRSU Depository.*

List of Issuers who Deposited Global Certificates of Securities Issues  
with the Nominal Value of Securities Issue over UAH 300 mln in 2006

Company's Register Code	Issuer	Type of Securities	Security Nominal Value, UAH	Issue Nominal Value, UAH
33270581	Severodonetsk Association Azot CJSC	shares	1	1056 700 000
33936496	Dragon Asset Management LLC	investment certificates	1	800 000 000
00190816	Alchevsk Koksohimichny Plant	shares	0,25	700 000 000
31776046	Industrial Vector LLC	bonds	58	675 178 000
33448675	AMC CPG Assets Management LLC	investment certificates	1000	500 000 000
33448675	AMC CPG Assets Management LLC	investment certificates	1000	500 000 000
33097725	AMC and PFA Initiative LLC	investment certificates	1000	500 000 000
32984601	AMC PFA Pearex Asset Management Ukraine LLC	investment certificates	1000	500 000 000
14360570	PryvatBank	bonds	500000	500 000 000
14360570	PryvatBank	bonds	5000000	500 000 000
00032112	State Export-Import Bank of Ukraine OJSC	bonds	1000	500 000 000
22592656	AMC Delta LLC	investment certificates	1000	450 000 000
32799200	AMC UkrSyb Asset Management CJSC	investment certificates	1000	400 000 000
00032129	State Savings Bank OJSC	shares	1000000	400 000 000
34046870	AMC Ukrsots-Neruhomist LLC	investment certificates	1000	350 000 000
33833619	AMC Etalon Asset Management LLC	investment certificates	1000	300 000 000
33448675	AMC CPG Assets Management LLC	investment certificates	1000	300 000 000
32708616	VIP House Corporation LLC	bonds	1000	300 000 000
32490642	NIK Investment and Engineering Company LLC	bonds	100	300 000 000
31569627	Kovcheg LLC	bonds	1000	300 000 000
09807750	Stock Commercial Innovative Bank UkrSybBank	bonds	1000	300 000 000
00039019	SCBSD Ukrsotsbank	bonds	1000	300 000 000
21659938	Ferrottrade International	shares	1000	300 000 000
00039019	SCBSD Ukrsotsbank	shares	0,1	300 000 000
00032112	State Export-Import Bank of Ukraine OJSC	shares	1000	300 000 000

## **Share Servicing**

Among the types of securities serviced by IRSU Depository shares constitute the majority. 44% of the quantity of non-documentary securities issues and 99% of the quantity of documentary securities issues serviced by IRSU Depository are shares.

After the legislation was changed in 2006 the IRSU Depository procedure of depositing of interim global certificates and global certificates of shares issues has changed.

## **Non-Documentary Bonds Servicing**

During 2006, the number of non-documentary bond issues accepted for servicing by the IRSU Depository system increased from 715 to 1.274, their nominal value grew two times making up UAH 33.5 billion. Most of the issues were successfully placed among the investors.

Over the entire period of IRSU Depository operations, the largest issues of securities (with the nominal value over UAH 300 million) of the following issuers were serviced at IRSU Depository:

UkrTelecom OJSC  
 Industrial Vektor LLC (2 issues)  
 PryvatBank (4 issues)  
 Stock Commercial Innovative Bank "UkrSybBank" (4 issues)  
 State International Boryspil Airport  
 VIP House Corporation LLC  
 NIK Investment and Engineering Company LLC  
 Kovcheg LLC  
 SCBSD Ukrspotsbank  
 State Export Import Bank of Ukraine OJSC (2 issues)  
 Ukgas LLC  
 Infinity LLC  
 Nadra SCB  
 Centrebudinvest CJSC  
 Metalen JC LLC  
 Arcada Fund Hypothecary Company LLC  
 Druzhba Narodov Nova CJSC

## **Investment Certificates Servicing**

IRSU Depository proceeds servicing investment certificates and work with their issuers. In particular, in 2006 the IRSU Depository specialists developed and put into operation the method to open the separate securities accounts for investment funds of an assets management company (AMC). It allows to keep separate records for investment funds operations and payments.

The average nominal value of an investment certificates issue being serviced by IRSU Depository comprises at present is UAH 57 million.

## **Saving (Deposit) Certificates Servicing**

During 2006, IRSU Depository continued servicing the documentary bearer saving (deposit) certificates. As in previous years the most active custodian as for operations with such securities was Rodovid Bank OJSC. IRSU Depository accepted the saving (deposit) certificates for service nominated not only in national currency but also in US dollars, EURO and RF rubles.

### **Real Estate Operations Fund Certificates Servicing**

During 2006, IRSU Depository began to service a new financial instrument - certificates of the real estate operations fund. Five global certificates of the securities issues of the total nominal value of UAH 237 million were deposited in IRSU Depository.

### **Income Payment**

During 2006, IRSU Depository executed 91 operations on payment of interest on the bonds of AVK Concern LLC. The sum paid constituted UAH 6.8 million.

### **Provision of Consolidated Registers of Beneficial Owners of Registered Securities to Registerholders**

IRSU Depository provides consolidated registers of beneficial owners of registered securities (hereinafter - registers) upon instructions of issuers of non-documentary securities, as well as of registerholders of documentary securities - issuers and registrars.

Quantity of registers provided on	2005	2006
non-documentary securities issues	2 328	3 367
documentary securities issues	4 558	5 552
Total	6 887	8 919

The average quantity of custodians who provided information to IRSU Depository for building-up of one register in 2006 is 4.5. The average quantity of personal accounts of beneficial owners of registered securities in one register formed in 2006 is 142.5. For general shareholders meetings registers were inquired in 34.3% of cases.

In 2006 95.6% of registers were provided in paper form, 0.4% in electronic form on CD, 4% in both paper and electronic form. The average quantity of pages in one register formed in 2006 is 9.

The system of electronic interaction of IRSU Depository and registrars designed to obtain inquiries and provide registrars with consolidated registers of beneficial owners of registered securities has been developed and put into operation during 2006.

Such a system will allow registrars to get information from IRSU Depository in a minimum of time without costs for mail of courier services.

### Participants of the IRSU Depository System

*As of January 1, 2007, participants of the IRSU Depository system are 187 custodians located in 14 regions of Ukraine. It makes 100% of the total number of licenced custodians in Ukraine.*

The IRSU Depository system is based on the software of the system of electronic settlements of IRSU Depository for securities at the depository level and at the level of participants custodians. During the entire period of the IRSU Depository operations, the software has been permanently improved and updated in line with the demands of time and clients' wishes.

Electronic documents that circulate in the system of IRSU Depository meet requirements of the international ISO 7775 standard (DSTU 3708-98 Securities. Standard scheme for message types). Delivery of securities through IRSU Depository is performed within minutes.

Electronic interface with trade organizers allows the automatic mode to be used to settle securities transactions concluded at trade organizers, both under free of payment principle and delivery versus payment principle.

Regional Location of Custodians -  
Participants of IRSU Depository System as of January 1, 2007



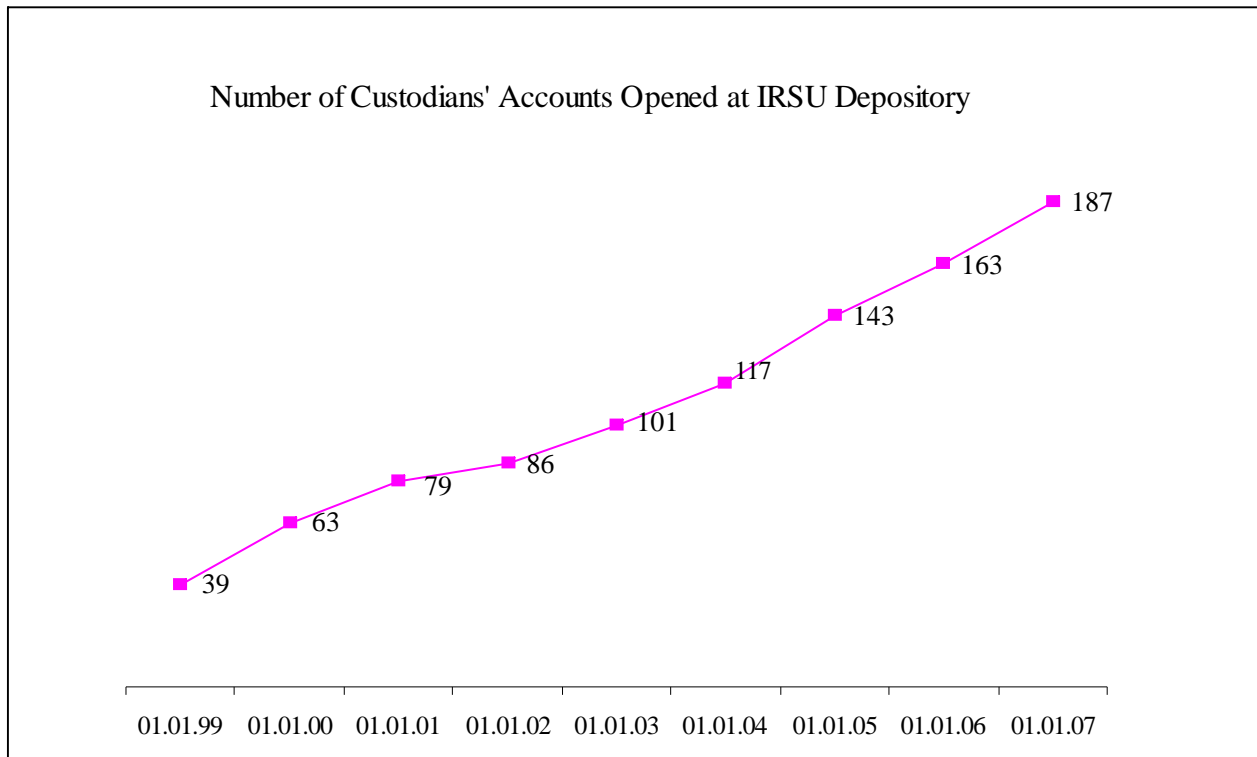
### Services Provided to Custodians

Servicing of operations related to settlements of securities transactions:

- Delivery (receipt) of securities without payment upon custodians' instructions;
- Delivery (receipt) of securities versus payment upon custodians' instructions;
- Delivery (receipt) of securities without payment upon trade organizers' transaction register without preliminary securities reservation;
- Delivery (receipt) of securities without payment upon trade organizers' transaction register with preliminary securities reservation;
- Delivery (receipt) of securities without payment upon trade organizers' transaction register with preliminary securities and cash obligations reservation.

Servicing of operations related to entering of immobilized registered documentary securities as a result of IRSU Depository's registration as a nominee, or securities writing-off as a result of their materialization.

Securities' blocking, unblocking or writing-off from custodians' securities accounts in order to ensure refinancing of commercial banks (custodians or custodians' clients) by the National Bank of Ukraine or interbank lending with corporate securities serviced by IRSU Depository as a pledge.

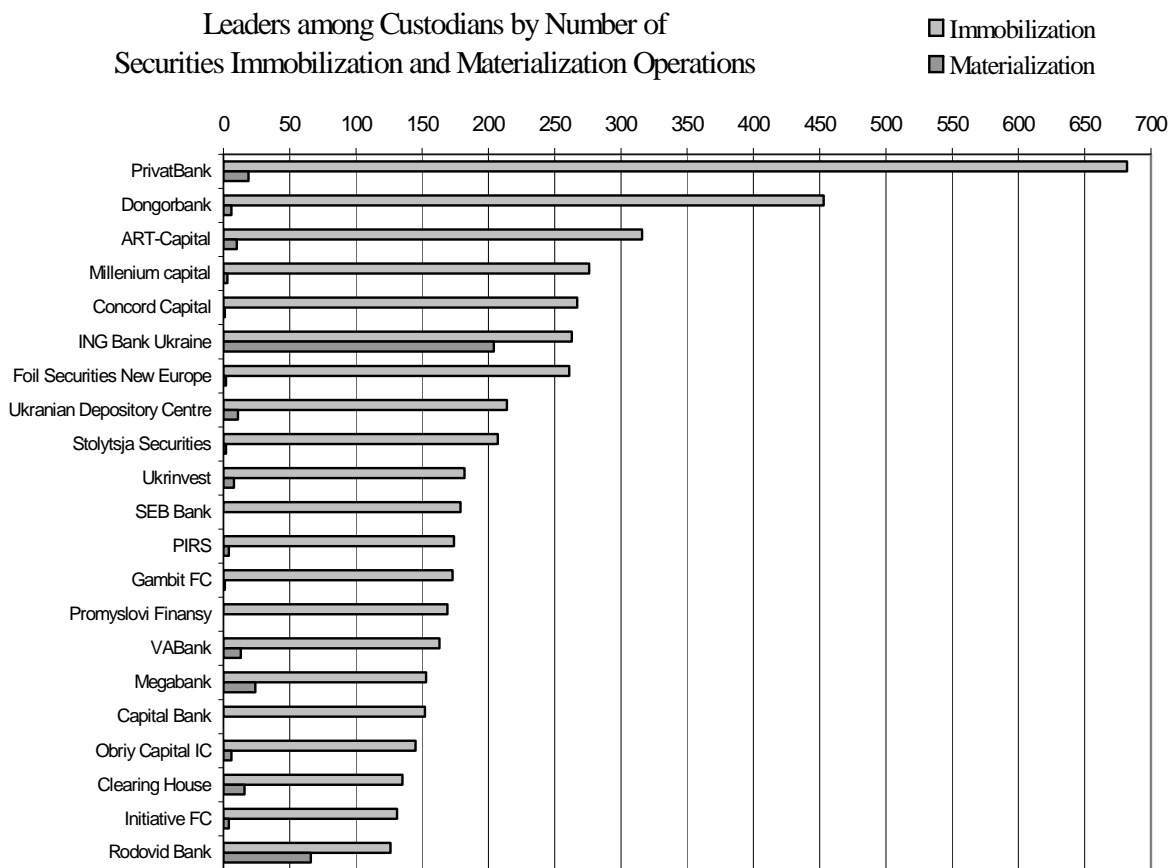


### Immobilization and Materialization of Securities

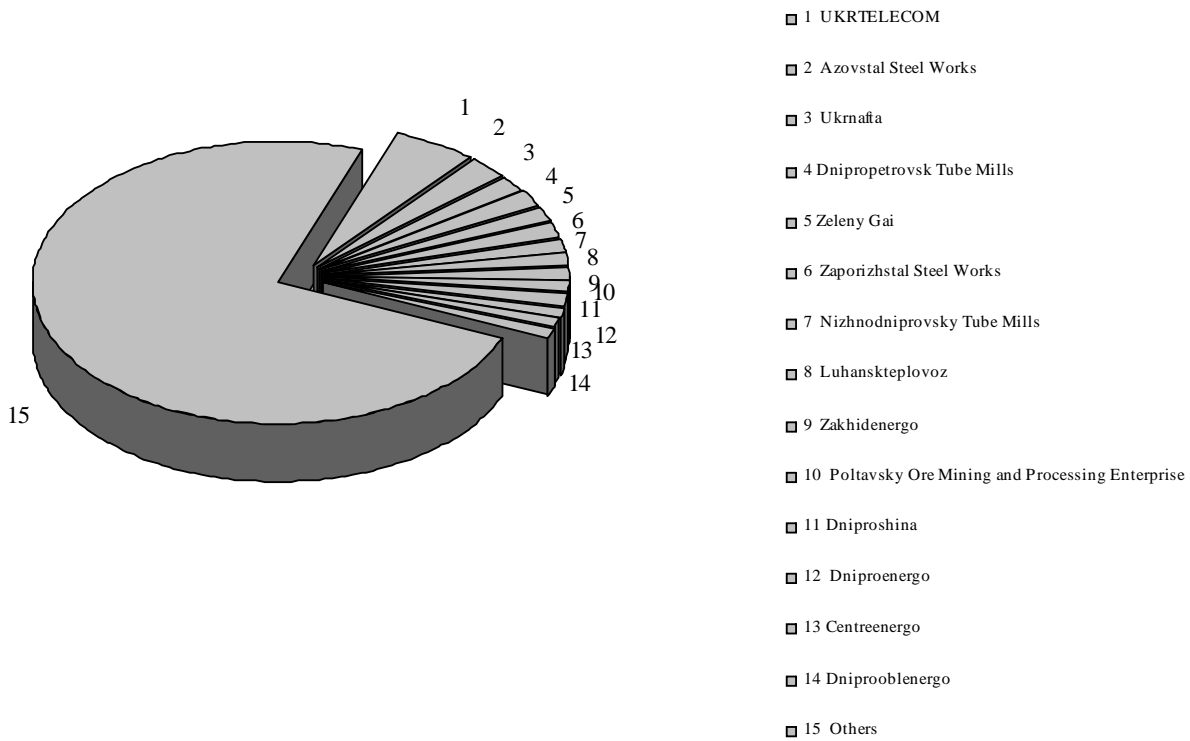
Documentary securities are immobilized at IRSU Depository in order to provide their safekeeping and circulation in the IRSU Depository record-keeping system. As of January 1, 2007, 3,869 issues are kept at IRSU Depository, 82% of them are issued by open joint stock companies, and 18% by closed joint stock companies. Common registered shares comprise 98% of these issues. During 2006, the nominal value of immobilized securities increased 1,3 times and amounts to UAH 45,925 million.

During 2006 IRSU Depository executed 7,861 operations of securities immobilization and 1,611 operations of securities materialization of the total nominal value of UAH 12,754 million and UAH 1,847 million accordingly.

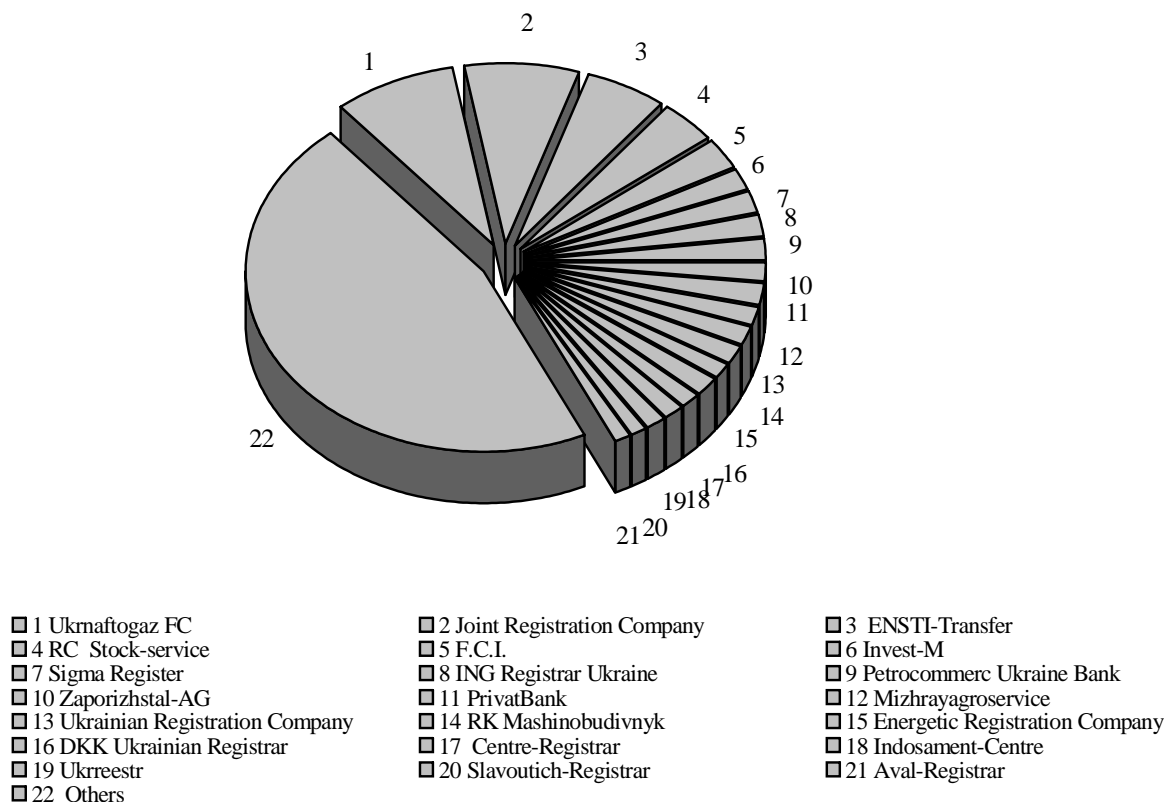
In particular, in 2006 IRSU Depository executed 102 operations of immobilization and 86 operations of materialization of saving (deposit) certificates.



Leaders among Issuers by Number of Immobilization and Materialization Operations in 2006



Leaders among Registrars by Number of Immobilization and Materialization Operations in 2006

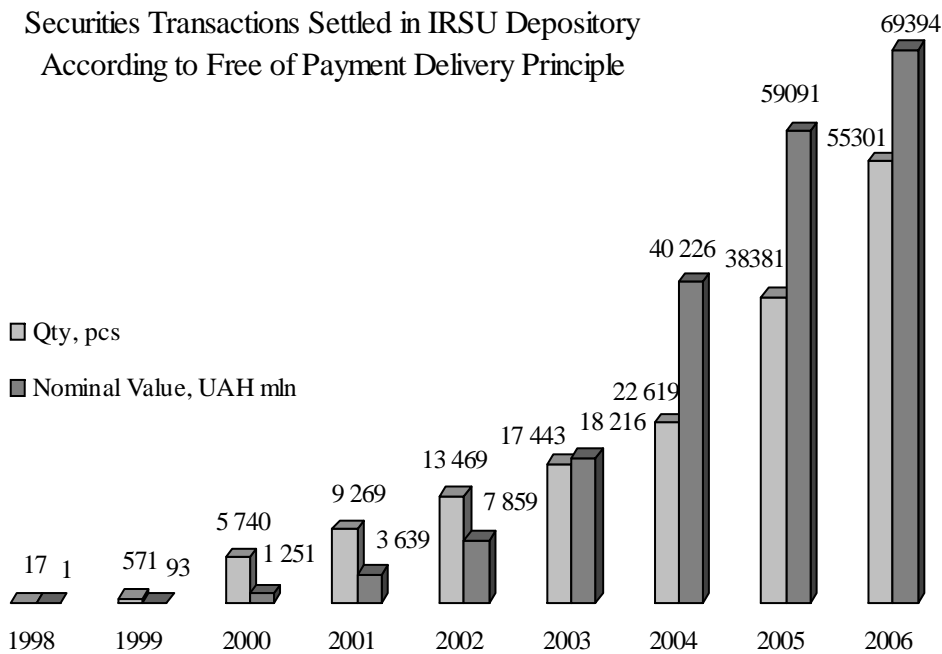


### Free of Payment Delivery (Receipt) of Securities

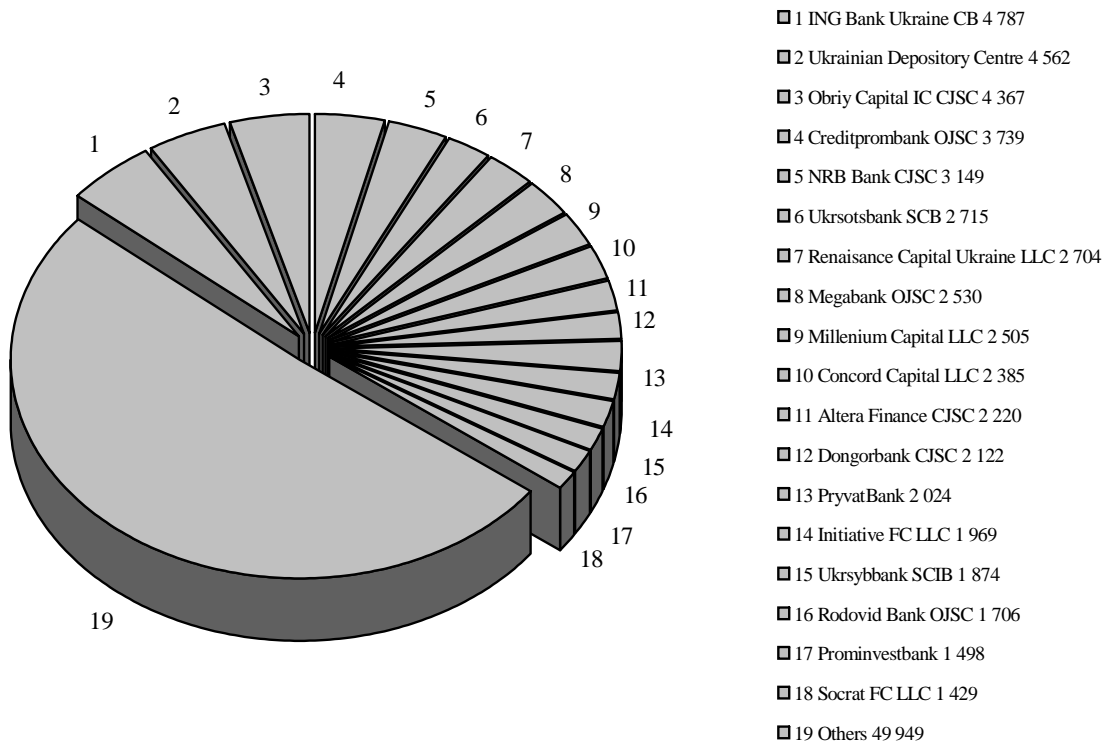
If free of payment settlement mode is used, or delivery (receipt) without payment, IRSU Depository does not control execution of cash settlements between parties of a transaction. Transfer of securities in case of gift, inheritance, or securities transfer to a pledge holder is executed similarly to delivery (receipt) of securities without payment.

In case of a free of payment delivery (receipt) of securities, settlement is performed in real-time mode, after custodians, servicing both parties of the transaction, give proper instructions to the system of electronic settlements of IRSU Depository. Free of payment delivery (receipt) of securities could also be executed on the basis of matched instructions registers from trade organizers.

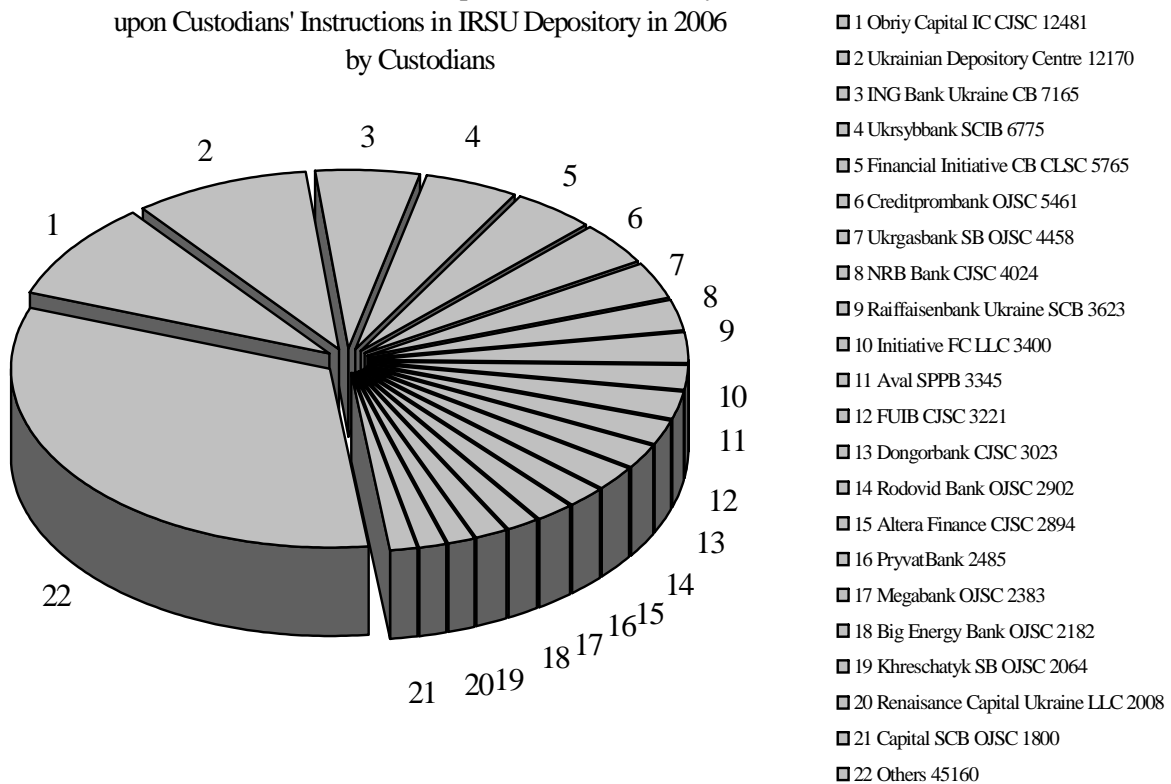
Securities Transactions Settled in IRSU Depository  
According to Free of Payment Delivery Principle



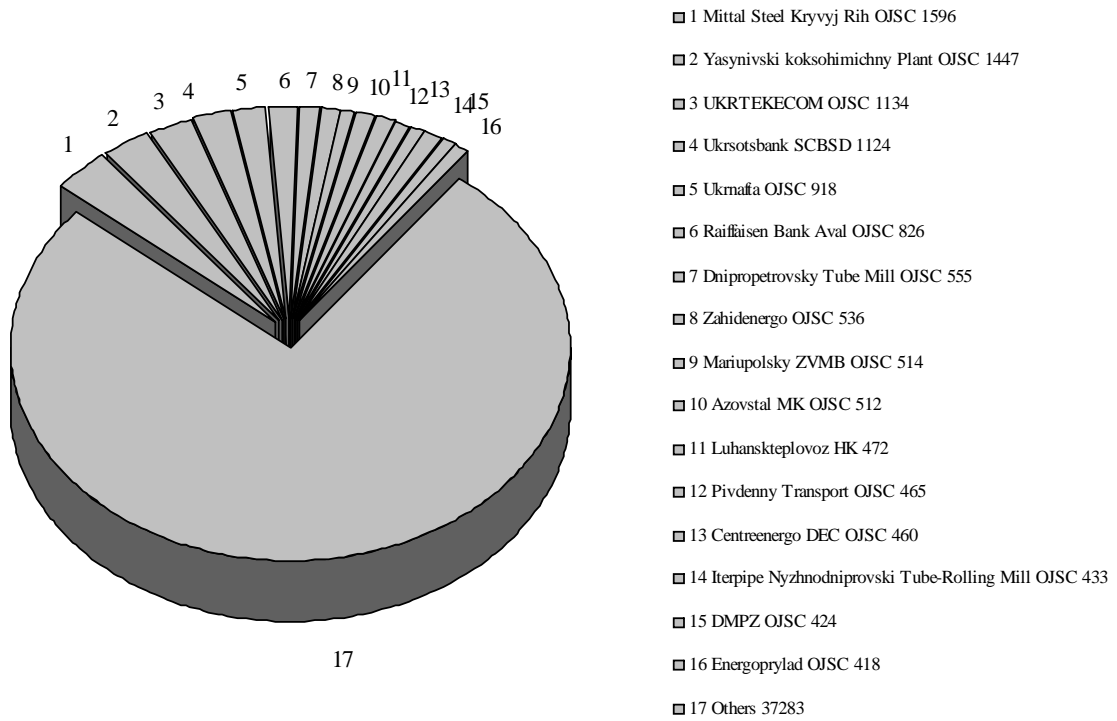
Number of Securities Operations on Free of Payment Basis upon Custodians' Instructions Executed in IRSU Depository in 2006 by Custodians



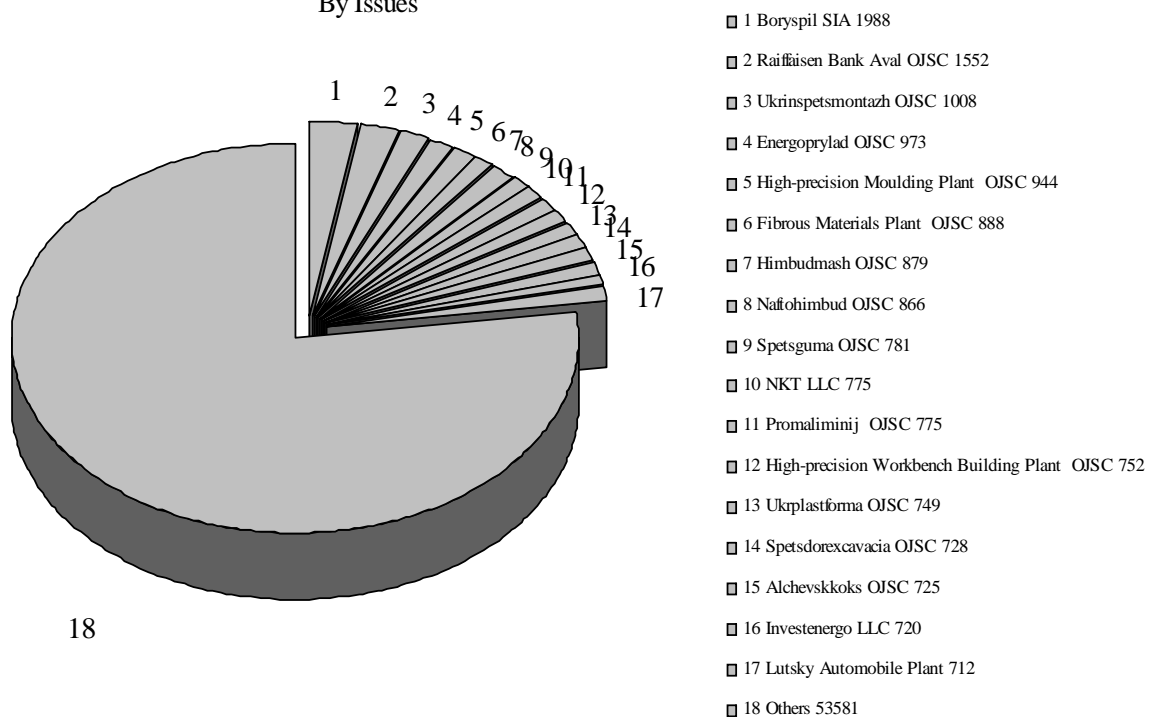
Nominal Value (UAH mln) of Securities Operations on Free of Payment Basis upon Custodians' Instructions in IRSU Depository in 2006 by Custodians



Number of Securities Operations on Free of Payment Basis  
upon Custodians' Instructions Executed in IRSU Depository in 2006  
By Issues



Nominal Value (UAH mln) of Securities Operations on Free of Payment Basis  
upon Custodians' Instructions in IRSU Depository in 2006  
By Issues



## **Delivery Versus Payment**

Securities transaction settlements on principle of delivery versus payment means that on the settlement day the seller should deliver securities to the buyer and the buyer should pay the cost of the securities. Payment is made simultaneously with delivery of securities. Strict observance of this principle can be ensured by IRSU Depository with its key role in protection of interests of investors and traders, related to possible breach of agreement by one of the parties.

The process of delivery of securities is performed at IRSU Depository by means of securities' transfer onto accounts of custodians. For execution of cash settlements IRSU Depository uses the services of a clearing bank. The National Bank of Ukraine performs functions of such bank for IRSU Depository, agreement for cash settlements of securities transactions having been concluded.

In 2006, IRSU Depository had settled 41 securities transactions on the principle of delivery versus payments for the amount of UAH 43 million of the nominal value of securities (UAH 412 million of the value of agreement). But as in previous years, traders are still not active using this mechanism. In 2006, securities transactions were conducted on the principle of delivery versus payments upon instructions of the following custodians: Alpha Bank, VABank, Foil Securities New Europe, Prykarpattya CB, ING Bank Ukraine, Active Bank, Tekt-Trade, Ukrinbank, Finance Group Invest, Crimean Finance Centre, Raiffaisenbank Bank Ukraine, Khreschatyk CB, Transbank.

## **Trade Organizers - Partners of IRSU Depository**

In order to service transactions concluded at trade organizers, IRSU Depository has signed agreements on clearing, settlements and exchange of information on transactions concluded at the following trade organizers:

- First Stock Trading System Subsidiary (PFTS);
- Ukrainian Stock Exchange (USE);
- Ukrainian Interbank Currency Exchange (UICE);
- Kyivska International Stock Exchange (KISE);
- Donetska Stock Exchange (DSE);
- Prydniprov's'ka Stock Exchange (PSE);
- Crimean Stock Exchange (CSE);
- "Pivden-Server" Trading and Information System Association Subsidiary;
- Ukrainian International Stock Exchange (UISE);
- "Perspectyva" Trading and Information System.

Electronic interface with trade organizers allows to use the automatic mode to settle securities agreements concluded at trade organizers.

## **Services Provided to Trade Organizers**

Servicing of operations executed by IRSU Depository upon the register of matched instructions with information of concluded contracts from trade organizers:

- Without preliminary reservation of securities;
- With preliminary reservation of securities;
- With preliminary reservation of securities and cash liabilities.

Free of Payment Delivery of Securities upon Register from Trade Organizers  
without Preliminary Reservation of Securities  
Executed by IRSU Depository in 2006

Trade Organizer	Qty, pcs	Nominal value, UAH
Kyivska International Stock Exchange	3 291	82 448 103,94
First Stock Trading System Subsidiary	1 603	25 602 019,74
Ukrainian International Stock Exchange	1 287	245 731,50
<b>Total</b>	<b>6 181</b>	<b>108 295 855,18</b>

Free of Payment Delivery of Securities upon Register from Trade Organizers  
with Preliminary Reservation of Securities and Cash Liabilities  
Executed by IRSU Depository in 2006

Trade Organizer	Qty, pcs	Nominal value, UAH
Kyivska International Stock Exchange	67	4 159 052,50

### Main Tasks of IRSU Depository for the Year 2007

- Introduction of the software and hardware complex of remote access of the IRSU Depository's clients (issuers, issuers' accounts managers) through the Internet.
- Further development of the system of electronic information interchange with registerholders.
- Introduction of clearing procedures for the contracts concluded at trade organizers during a trading session with preliminary reservation of securities and cash liabilities ensuring cash settlements.
- Changing of the system of encryption protection of the electronic settlements system of IRSU Depository to the new means of encryption data protection, introduction of electronic digital signature.
- Software and hardware supply for the procedure of servicing of securities nominated in foreign currency and ensuring the servicing of correspondent accounts.
- Adaptation of the IRSU Depository's activity to the new law regulations on securities circulation, in particular the Law On Securities and Stock Market # 3480-IV of 23.02.06, the Regulation On Depository Activity # 999 of 17.10.06 and others.
- Establishing of contractual relations with foreign depository institutions.
- Consideration of the questions as to launching of a backup office.
- Further upgrade of internal procedures of depository and settlement-and-clearing activity.
- Further upgrade of the web-site of IRSU Depository, in particular its parts that contain securities issuers' corporative information.
- Further development and upgrade of the software of electronic settlements system of IRSU Depository in order to meet requirements of modern information technologies.

Securities Custodians - Participants of IRSU Depository System  
Banks

<b>Custodian</b>	<b>Location</b>	<b>Custodian</b>	<b>Location</b>
Agrobank	Dnipropetrovsk	Megabank	Kharkiv
Agrocombank	Kyiv	Mercury	Kharkiv
Aktiv Bank	Kyiv	Misto Bank	Odesa
Alpha Bank	Kyiv	Mriya	Kyiv
Antares	Kyiv	Nadra	Kyiv
Arkada	Kyiv	NRB Bank-Ukraine	Kyiv
ARMA	Kyiv	Odesa-Bank	Odesa
AutoKRAZbank	Kremenchuk	Olympic Ukraine	Kyiv
AutoZAZbank	Zaporizhia	Petrocommerz-Ukraina Bank	Kyiv
Aval	Kyiv	Pivdencombank	Donetsk
Bank of Regional Development	Kyiv	Pivdenny	Odesa
Basis	Kharkiv	Pravex Bank	Kyiv
BIG Energy	Kyiv	Premier Bank	Dnipropetrovsk
Brokbusinessbank	Kyiv	PrivatBank	Dnipropetrovsk
Calion Bank Ukraine	Kyiv	Privatinvest	Chernihiv
Cambio	Kyiv	Prominvestbank	Kyiv
Capital	Donetsk	Prycarpattya	Ivano-Frankivsk
Clearing House	Kyiv	Prychornomorya	Dnipropetrovsk
Credit Dnipro	Dnipropetrovsk	Raiffaisenbank Ukraine	Kyiv
Creditprombank	Kyiv	Region-Bank	Kharkiv
Demark	Chernihiv	RODOVID BANK	Kyiv
Donbirzhsbank	Donetsk	Sea Transport Bank	Odesa
Dongorbank	Donetsk	Slovyanskiy	Zaporizhia
East-Industrial Commercial Bank	Luhansk	SotsCom Bank	Odesa
Electronbank	Lviv	State Savings Bank of Ukraine	Kyiv
Energobank	Kyiv	Synthesis	Kyiv
Express-Bank	Kyiv	Tavrika	Kyiv
Finance and Credit	Kyiv	Transbank	Kyiv
FinBank	Odesa	Ucoopspilka	Kyiv
First Ukrainian International Bank (PUMB)	Donetsk	Ukraine	Kyiv
Fortuna-Bank	Kyiv	Ukrainian Communal Bank	Luhansk
Forum	Kyiv	Ukrainian Credit Bank	Kyiv
Imexbank	Odesa	Ukrainian Industrial Bank	Kyiv
IndexBank	Kyiv	Ukrainian Professional Bank	Kyiv
Industrial-Financial Bank	Kyiv	UkrBusinessBank	Donetsk
ING Bank Ukraine	Kyiv	Ukreximbank	Kyiv
Innovation-Industrial Bank	Kharkiv	Ukrgazbank	Kyiv
Integral-Bank	Kyiv	Ukrinbank	Kyiv
InterBank	Kyiv	Ukrsotsbank	Kyiv
International Commercial Bank	Kyiv	Ukrspetsimpexbank	Kyiv
KhFB Bank Ukraine	Kyiv	UkrSybbank	Kharkiv

<b>Custodian</b>	<b>Location</b>	<b>Custodian</b>	<b>Location</b>
Khreschatyk	Kyiv	Universal Bank	Lviv
Kyiv	Kyiv	VaBank	Kyiv
Kyivska Rus	Kyiv	Veles Bank	Kyiv
Kyivsky Universalny Bank	Kyiv	Volodymirsky	Sumy
Legbank	Kyiv	Zoloti Vorota	Kharkiv

Securities Custodians - Participants of IRSU Depository System  
Traders

<b>Custodian</b>	<b>Location</b>	<b>Custodian</b>	<b>Location</b>
Aktiv FC	Dnipropetrovsk	LFC-Brok	Luhansk
Alpha Capital	Kyiv	Management Technologies	Dnipropetrovsk
Altera Finance	Donetsk	Navigator-Invest	Kyiv
ART-Capital	Kyiv	Obriy Capital	Kyiv
Autoaliance-Invest	Kyiv	Ost-Invest	Kyiv
Aval-Brok	Kyiv	PIRS	Kharkiv
Basis Investment	Kyiv	Pivdenny Stock Technologies	Odesa
Bearn	Lutsk	Priboutok Plus	Kyiv
Capital-Standard	Dnipropetrovsk	Profreestr	Kyiv
COMEX Securities	Kyiv	Prospect Investments	Kyiv
Concord Capital	Kyiv	Regional Stock Company	Zaporizhia
Crimean Financial Center	Simferopol	Renaissance Capital Ukraine	Kyiv
Dekra	Ivano-Frankivsk	Rosan-Securities	Lviv
DIKOM	Donetsk	Securities Industry	Donetsk
Discount-2000	Kyiv	Slavoutich-Capital SC	Dnipropetrovsk
East-Crimean Stock Company	Feodosiya	Slavoutich-Capital DSC	Dnipropetrovsk
Energoinvest	Dnipropetrovsk	Slavoutich-Capital ICC	Dnipropetrovsk
Etalon-Invest	Kyiv	Socrat	Kyiv
Experiment	Zaporizhia	Standard	Kyiv
Farvater-Invest	Kyiv	StirolKhiminvest	Gorlivka
Finance Group Invest	Dnipropetrovsk	Stock Capital	Kyiv
Financial and Settlement Group	Sebastopol	Stock-Trader	Ivano-Frankivsk
Financial Technologies Alliance	Luhansk	Stolycya-Securities	Kyiv
Finox	Kryvyi Rih	Tekt-Brok	Kyiv
Foil Securities New Europe	Kyiv	Tekt-Trade	Kyiv
Fondovy B.A.N.K.	Odesa	Tradebusinesscentre	Kyiv
Gambit	Dnipropetrovsk	Ukrainian Concession Company	Kyiv
Garant Invest	Zaporizhia	Ukrainian Depository Centre	Kyiv
Global Investments	Kharkiv	Ukrainian Depository Company	Kyiv
Goodwill-Brok	Zaporizhia	Ukrainian Stock Centre	Kyiv
Industrial Finance	Zaporizhia	UKRANET	Kyiv
Initiative	Kyiv	Ukrinvest	Dnipropetrovsk
Interregional Financial Company	Kyiv	United Financial Group	Kyiv
Jerome Securities	Kyiv	Universal Securities	Dnipropetrovsk
KINTO Ltd.	Kyiv	XXI Century Brokerage	Kyiv

Number of IRSU Depository Clients by Location  
(I - Issuers, C - Custodians)

Regions of Ukraine	01.01.03		01.01.04		01.01.05		01.01.06		01.01.07	
	I	C	I	C	I	C	I	C	I	C
Autonomous Republic of Crimea	19	2	24	2	31	2	39	3	46	4
Oblasts:										
Vinnyska	3		5		7		7		12	
Volynska	3		4		4	1	5	1	4	1
Dnipropetrovska	60	10	67	13	93	16	110	17	135	19
Donetska	35	8	49	10	62	10	74	10	91	10
Zhytomirska	6		9		10		14		14	
Zakarpatska	6		6		7		7		7	
Zaporizka	18	4	25	6	27	7	29	7	43	6
Ivano-Frankivska	5	2	9	3	11	3	14	3	19	3
Kyiv and Kyiv obl.	332	59	427	63	555	81	733	93	1 046	111
Kirovohradska	9		11		14		15		17	
Luhanska	11	1	20	2	24	3	26	4	30	4
Lvivska	20	3	27	3	31	3	40	3	53	5
Mykolaivska	8		10		10		13		20	
Odeska	130	5	150	6	160	6	172	9	197	10
Poltavska	5	1	6	1	9	1	14	1	17	1
Rivnenska	2		2		3		4		5	
Sumska	12		12		16	1	17	1	18	1
Ternopil'ska	4		5		4		5		6	
Kharkivska	35	4	43	6	53	7	78	9	117	10
Khersonska	2		4		4		8		17	
Khmel'nitska	4		4		7		7		7	
Cherkaska	8		9		10		14		23	
Chernivetska	7		6		6		6		6	
Chernihiv'ska	13	2	16	2	16	2	20	2	24	2
<b>Total</b>	<b>757</b>	<b>101</b>	<b>950</b>	<b>117</b>	<b>1 174</b>	<b>143</b>	<b>1 471</b>	<b>163</b>	<b>1 974</b>	<b>187</b>

## Number of Issues and Securities Nominal Value of Securities Serviced by IRSU Depository

	01.01.2006		01.01.2007	
	Quantity of issues, pcs	Nominal value, UAH mlns	Quantity of issues, pcs	Nominal value, UAH mlns
Total:	5 452	81 082	6 542	126 089
in documentary form, entered as a result of securities immobilization:	3 612	34 969	3 869	45 925
shares	3 598	34 737	3 823	45 470
investment certificates	10	223	22	413
saving (deposit) certificates	1	5	23	42
bonds	3	4	1	0
in non-documentary form, in accordance with interim global certificates of securities issues:	33	1 072	52	1 591
shares	33	1 072	52	1 591
in non-documentary form, in accordance with global certificate of securities issues:	1 807	45 041	2 621	78 573
shares	375	21 930	1 068	29 092
bonds	715	17 162	1 274	33 545
investment certificates	117	5 949	274	15 698
real estate operations fund certificates	0	0	5	237

## Number of Record Keeping Transactions Provided by IRSU Depository

	2005	2006
Free of payment delivery of securities upon instructions of custodians	38 381	49 118
Delivery of securities versus payment upon instructions of custodians	11	41
Free of payment delivery of securities upon registers received from trade organizers without preliminary reservation of securities (PFTS, KISE, UISE)	3 368	6 181
Free of payment delivery of securities upon registers received from trade organizers with preliminary reservation of securities (UICE)	2	1
Delivery of securities versus payment upon registers received from trade organizers with preliminary reservation of securities and cash liabilities (Perspectyva)	0	67
Blocking/unblocking of securities for refinancing of commercial banks by the National Bank of Ukraine	241	135
Blocking/unblocking of securities for interbank lending	23	72
Transfer of securities between balance accounts within IRSU Depository's clients' accounts	24 945	29 574
Transfer of securities to custodians' accounts at primary distribution	3 098	6 564
Deposit and write-off of global and interim global certificates of securities issues	865	1 369
Immobilization of securities	7 140	7 861
Materialization of securities	601	1 611

**Balance Sheet**  
**of Interregional Securities Union Open Joint Stock Company**  
**as of December 31, 2006**

ASSETS	Line code	At the beginning of accounting period	At the end of accounting period
<b>I. Non-current assets</b>			
Intangible assets			
net value	010	5138	4990
historical cost*	011	5706	5861
amortization*	012	(568)	(871)
Construction in progress	020	2	2
Fixed assets:			
net value	030	3493	9532
historical cost*	031	4619	11682
depreciation*	032	(1126)	(2150)
Long-term financial investments			
that are accounted for in accordance with a method of participation in other enterprises' capital	040	5	5
other financial investments	045	10	10
Long-term accounts receivable	050	-	-
Deferred tax assets	060	20	74
Goodwill	065	-	-
Other non-current assets	070	-	-
<b>Total for Section I</b>	080	8668	14613
<b>II Current assets</b>			
Inventory:			
production inventory	100	9	11
livestock for raising and fattening	110	-	-
construction in progress	120	-	-
ready made products	130	-	-
goods	140	-	-
Promissory notes received	150	-	-
Accounts receivable for goods, works, services:			
net realizable value	160	542	704
historical cost	161	542	704
bad debt reserve	162	(-)	(-)
Accounts receivable under settlements:			
with budget	170	4	3
on advances issued	180	10	16
on revenue accrued	190	38	-
on internal settlements	200	-	-
Other current accounts receivable	210	2	5
Current financial investments	220	-	-
Cash and equivalents			
in national currency	230	2638	366
in foreign currency	240	697	738
Other current assets	250	-	-
<b>Total for Section II</b>	260	3940	1843
<b>III. Deferred Expenses</b>	270	7	7
<b>TOTAL ASSETS</b>	280	12615	16463

LIABILITIES AND OWNERS' EQUITY	Line code	At the beginning of accounting period	At the end of accounting period
<b>I. Owners' equity</b>			
<b>Statutory capital</b>	300	4365	4365
Unit capital	310	-	-
Additional paid in capital	320	10	10
Other additional capital	330	6275	8920
Reserve capital	340	97	97
Retained earnings (uncovered loss)	350	-	1112
Unpaid capital	360	-	-
Treasury stock	370	-	-
<b>Total for Section I</b>	380	10747	14504
<b>II. Provision for future expenses and payments</b>			
Provision for wages and salaries	400	-	-
Other provisions	410	-	-
Insurance reserves	415		
Share in the reserves	416		
Special purpose financing	420	-	-
<b>Total for Section II</b>	430	-	-
<b>III. Long-term liabilities</b>			
Long-term bank credits	440	-	-
Deferred tax liabilities	460	-	-
Other long-term liabilities	470	-	-
<b>Total for Section III</b>	480	-	-
<b>IV. Current liabilities</b>			
Short-term bank credits	500	-	-
Current liability under long-term liabilities	510	-	-
Promissory notes issued	520	-	-
Accounts payable for goods, works, services	530	4	54
Current liability undo settlements:			
on advances received	540	157	283
with budget	550	34	29
on off-budgetary payments	560	-	-
on insurance	570	3	16
on wages and salaries	580	213	120
with participants	590	1453	1453
on internal settlements	600	-	-
Other current liabilities	610	4	4
<b>Total for Section IV</b>	620	1868	1959
<b>V. Deferred revenue</b>	630	-	-
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	640	12615	16463

## Income Statement of 2006

Item	Line Code	Accounting period	Previous period
<b>I. Financial Results</b>			
<b>Sales of products (goods, works, services)</b>	010	7560	4806
VAT	015	1	-
Excise tax	020	-	-
Other deductions from sales	030	-	-
<b>Net sales of products (goods, works, services)</b>	035	7559	4806
<b>Cost of products (goods, works, services) sold</b>	040	4353	3294
Gross:			
profit	050	3206	1512
loss	055	-	-
Other income from operations	060	75	83
Administrative expenses	070	2118	1886
Selling expenses	080	-	-
Other operating expenses	090	9	49
<b>Financial results of operations:</b>			
<b>profit</b>	100	1154	-
<b>loss</b>	105	-	340
Share of profits of associates accounted for by equity method	110	-	-
Other financial income	120	367	344
Other income	130	-	-
Financial expenses	140	-	-
Share of losses of associates accounted for by equity method	150	-	-
Other expenses	160	-	-
Financial results from ordinary activity before taxation			
profit	170	1521	4
loss	175	-	-
Tax on income from ordinary activity	180	409	65
<b>Financial results from ordinary activity</b>			
<b>profit</b>	190	1112	-
<b>loss</b>	195	-	61
Extraordinary:			
profit (foreign technical assistance)	200	-	-
loss	205	-	-
Tax to be paid from extraordinary profit	210	-	-
<b>Net:</b>			
<b>profit</b>	220	1112	-
<b>loss</b>	225	-	61
<b>II. Elements of Operational Expenses</b>		7560	4806
Material expenses	230	1	-
Labor cost	240	-	-
Deductions for social actions	250	-	-
Amortization	260	7559	4806
Other expenses	270	4353	3294
Total	280		
<b>III. Calculation of Share Profitability Indices</b>		3206	1512
Average annual number of common shares	300	-	-
Adjusted average annual number of common shares	310	75	83
Net earnings per one common share	320	2118	1886
Adjusted net earnings per one common share	330	-	-
Dividends per one common share	340	9	49