CENTRAL EUROPE & RUSSIA FUND, INC.
Form N-CSR
January 09, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM N-CSR

Investment Company Act file number 811-6041

Central Europe & Russia Fund, Inc.

(Exact Name of Registrant as Specified in Charter)

345 Park Avenue

New York, NY 10154

(Address of principal executive offices) (Zip code)

Registrant s Telephone Number, including Area Code: (212) 454-7190

Paul Schubert

345 Park Avenue

New York, NY 10154

(Name and Address of Agent for Service)

Date of fiscal year end: 10/31

Date of reporting period: 10/31/07

ITEM 1. REPORT TO STOCKHOLDERS

SUMMARY OF GENERAL INFORMATION

THE FUND

The Central Europe and Russia Fund, Inc. (the "Fund") is a non-diversified, actively-managed closed-end fund listed on the New York Stock Exchange with the symbol "CEE." The Fund seeks long-term capital appreciation primarily through investment in equity and equity-linked securities of issuers domiciled in Central Europe and Russia. It is managed and advised by wholly-owned subsidiaries of the Deutsche Bank Group.

SHAREHOLDER INFORMATION

Prices for the Fund's shares are published daily in the New York Stock Exchange Composite Transactions section of newspapers. Net asset value and market price information are published each Monday in *The Wall Street Journal* and each Saturday in *Barron's* and other newspapers in a table called "Closed End Funds." Daily information on the Fund's net asset value is available from NASDAQ (symbol XCEEX). It is also available by calling: 1-800-437-6269 (in the U.S.) or 212-454-6266 (outside of the U.S.). In addition, a schedule of the Fund's largest holdings, dividend data and general shareholder information may be obtained by calling these numbers.

The foregoing information is also available on our Web site: www.ceefund.com.

There are three closed-end funds investing in European equities managed by wholly-owned subsidiaries of the Deutsche Bank Group:

The European Equity Fund, Inc.-investing primarily in equity or equity-linked securities of companies domiciled in European countries that utilize the Euro currency.

The New Germany Fund, Inc.-investing primarily in the middle market German companies and up to 20% elsewhere in Western Europe (with no more than 10% in any single country).

The Central Europe and Russia Fund, Inc.-investing primarily in Central European and Russian companies.

Please consult your broker for advice on any of the above or call 1-800-437-6269 (in the U.S.) or 212-454-6266 (outside of the U.S.) for shareholder reports.

These funds focus their investments in certain geographical regions, thereby increasing their vulnerability to developments in that region. Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes, and market risks.

The Central Europe and

Russia Fund, Inc.

Annual Report

October 31, 2007

20675

The Central Europe and Russia Fund, Inc.

LETTER TO THE SHAREHOLDERS

Dear Shareholder,

We are pleased to report that for the fiscal year ended October 31, 2007, The Central Europe and Russia Fund's total return based on share price was 41.83% while its total return based on net asset value per share was 42.32%. The Fund's benchmark rose 38.95% during the same period.[1]

In the Fund's fiscal Q4 2007, each of the Fund's core markets with the exception of Hungary performed strongly, posting double-digit returns. In the Czech market, while stocks are not a bargain at current price levels, Czech equities do have several factors in their favor: a robust economy, low domestic interest rates, business-friendly reforms, and strong earnings momentum. We have not significantly changed the Fund's positioning in the Czech portion of the portfolio during the past quarter, so the Fund continues to be underweight Czech equities relative to the benchmark.[2] The only Czech company in which the Fund holds an overweight position is electric utility Ceske Energeticke Zavody (CEZ). Electricity prices in Eastern Europe remain around 25% below those of Germany but the gap has been steadily closing over the past five years, and convergence of Eastern European electricity markets with those of Western Europe is expected to continue over the next several years. We added a position in television broadcaster Central European Media. As in the case of electricity price, we expect that the media and advertising markets of Eastern Europe will converge with those of Western Europe, leading to better pricing and higher spending on advertisements in the future.

Hungarian stocks are more expensive than Turkish and Russian stocks, which may not be justifiable as takeover stories, once regarded as an ultimate trigger for the stocks, may not materialize due to new legislation that would provide the target companies with much stronger tools of protection. Protectionism and political intervention are on the rise, another reason we are not overly positive on the market. From a top-down perspective, we expect the weak growth picture to continue to burden the market. Hungary is the smallest absolute weighting among the Fund's five core countries. The Fund is overweight OTP Bank while maintaining underweight positions in MOL Hungarian Oil & Gas and the pharmaceutical stocks.

The Polish market has been hindered by political distractions, but we expect investors to begin focusing on valuations again. Polish stocks seem to be reasonably priced at a price/earnings ratio (P/E) of 14x on 2008 forecast earnings growth of 18%, which is a bit lower than the 5-year average forward P/E ratio of 15x. We expect the Polish stock market to remain at a premium to the Fund's other core markets. On a relative basis, the Fund's position in Polish equities represents its largest underweight compared to the benchmark.

Despite very strong gains in the third quarter, the convergence/disinflation story remains a strong medium-term catalyst for the Turkish stock market, which remains the least expensively valued of the emerging European markets on a one-year-forward basis. Risks have diminished considerably but not disappeared: the optimism driving the market could be dented by a shock to sentiment from the political arena, which could in turn limit investor demand for Turkish stocks. We prefer financials, consumer-related stocks, construction, and media, which are all sectors that should benefit from the steady decline in interest rates that we expect over the next 12-18 months.

LETTER TO THE SHAREHOLDERS (continued)

The Russian market suffered along with other global markets during the recent setback but managed to rebound, and finished the third quarter near all-time high levels. Natural resources stocks led the market while most domestic economy-driven shares were quiet after rallying earlier in the year. Oil and gas stocks, which had been underperforming, started to recover while steel companies led the blue chips, rallying amid strong demand for steel, rising prices, and the expectation of continued growth in domestic consumption. Meanwhile, UES was the worst-performing Russian blue chip stock during the third quarter, which is likely explained by the company's asset spin-off as part of the unbundling process. As the Russian market has been one of the worst-performing emerging markets in 2007, Russian equities have become more attractive on a P/E basis relative to global emerging market peers. Russia remains the Fund's largest overweight on a countr y basis.

The Central Europe and Russia Fund resumed open-market purchases of its shares by buying 47,900 shares with the share buy-back program being reestablished in September 2007. The Central Europe and Russia Fund's discount to net asset value averaged 11.43% during the fiscal year ended October 31, 2007, compared with 6.8% for the same period last year.

The sources, opinions and forecasts expressed herein are as of the date of this report. There is no guarantee that the views, opinions and forecasts expressed herein will come to pass. This information is subject to change at any time based on market and other conditions and should not be construed as a recommendation for any specific security. Past performance does not guarantee future results.

[1] A custom blend of 45% in Central Europe (CECE-Index), 45% Russia (RTX-Index) and 10% in Turkey (ISE National 30). The CECE is a regional capitalization-weighted index, including stocks from the Czech Republic, Hungary, Poland and Slovakia and is published daily by the Vienna Stock Exchange. The RTX is a capitalization-weighted index of Russian blue chip stocks and published daily by the Vienna Stock Exchange. The ISE National 30 is a capitalization-weighted index composed of National Market companies except investment trusts and will also be used for trading in the Derivatives Market. Index returns assume reinvestment of dividends and, unlike Fund returns, do not reflect any fees or expenses. It is not possible to invest directly in an index. Please refer to page 5 for the definition of each index.

[2] "Overweight" means the fund holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the fund holds a lower weighting.

Sincerely,

Christian Strenger Chairman	Ralf Oberbannscheidt Lead Portfolio Manager	Michael G. Clark President and Chief Executive Officer

For additional information about the Fund including performance, dividends, presentations, press releases, daily NAV and shareholder reports, please visit www.ceefund.com

ECONOMIC OUTLOOK

Czech Republic:

Gross domestic product (GDP) growth held up reasonably well in the second quarter, slowing only slightly to 6.0% y-o-y from the first quarter's upwardly revised 6.4% year-over-year (y-o-y). The third quarter activity data released to date (leading indicators, exports, industrial output, retail sales) suggest that the economy is still rolling along nicely. We expect first signs of slower growth in the economy to appear in the fourth quarter on the back of the assumed global economic slowdown led by the United States as well as an easing in domestic consumption due to concerns over the impact of the 2008 economic reforms. Yet, the economy is expected to experience only a minor loss of steam. Following two 25 basis point hikes (one basis point equals .01%.) in two consecutive months, the Central Bank (CNB) took a break in September. Prevailing opinions on the markets are that the break does not mean the end of the monetary policy tightening cyc le. Considering how long the break should last, the CNB will need to weigh external factors that clearly make rate hikes less urgent, against domestic factors like soaring retail sales and the developing inflation spike which continue to favor tighter policy.

Hungary:

An economic slowdown is currently underway: GDP growth declined to 1.0% y-o-y in the third quarter and retail sales remained in the red, as well. The consumer price index (CPI) has been higher than expected over the past several months, with clear signs of food-price shock (month-over-month food prices were up by 2.3% after 2.5% in the previous month). The relatively low historical correlation of food prices in Hungary with core CPI and the currently tight monetary and fiscal conditions imply that the pass-through to core CPI could be more contained. The National Bank of Hungary (NBH) has finally reinitiated the easing cycle with a cautious 25 basis point rate cut to its benchmark interest rate in September. We expect additional cuts by the end of this year. The significant improvement in both the government budget deficit as well as on the current account has reduced the threat to the currency, allowing the NBH to lower interest rates.

Poland:

In general, the Polish economy is in good shape and strong growth is likely to continue in the medium term. The August CPI release was a big surprise headline inflation fell to 1.5% y-o-y versus an expected 1.9%. Contributing to the drop were benign food prices and an internet promotion. However, inflation rose 2.3% and 3.0% y-o-y in August and September, respectively, and is still set to rise into the end of the year. Looking ahead, demand/cost factors remain strong and wages continue to rise more quickly than productivity, which is reflected in rising unit labor costs. Second quarter GDP growth data surprised with a very strong rise in domestic demand (8.3% y-o-y). All these factors contribute to a rising current account deficit. Although the economic environment is quite healthy, there are a couple of data points that are beginning to trend negative and should be monitored going forward.

Russia:

The economy has shown signs of deceleration from the 7.9% expansion seen in the first half of 2007, even though growth continued at a very robust rate. Investment growth slowed to 18.8% y-o-y in August from 24.7% in July while real disposable income growth slowed to 13.5% y-o-y in September from 15.5% y-o-y in July. Inflation continued to accelerate y-o-y (with the exception of August) reaching 9.4% in September, which is well above official 8% target for this year. We attribute high inflationary pressures to a very strong growth of money supply (about 48% y-o-y growth for M2 in September) due to strong capital inflows experienced earlier this year.[1] Balance of payments support has deteriorated in the third quarter as the capital account fell from a US$45.9 billion surplus to a US$1.7 billion deficit on the back of a borrowing slowdown by banks and other sectors, and due to some capital flight. The Central Bank of Russia's interna tional reserves rose by over US$19 billion in the third quarter, while the ruble/dollar exchange rate followed the volatility in the euro/dollar exchange rate. Overall, we believe that the balance of payments data provides a good signal on the robustness of the Russian financial system.

Turkey:

Second quarter GDP growth slowed to 3.9% y-o-y with a surprising 0.3% y-o-y drop in household consumption as base effects from last year took a toll. Meanwhile, industrial output and consumer confidence showed a pick-up over the summer we see a general pick-up in the second half of 2007 growth and tend to believe the above-consensus 6.2% GDP growth expectation for the whole year. There was a jump in CPI in September and October, with food inflation being a significant factor. The Central Bank of Turkey believes this trend is temporary and is expected to continue cutting rates through the end of next year. The current account deficit is widening, despite a pick-up in tourism receipts and exports, while robust foreign direct investment (FDI) dynamics should generate US$23 billion of net FDI this year (the highest ever yearly amount). Meanwhile, central bank foreign exchange reserves stand at record levels.

[1] M2 is a category within the money supply that includes M1 in addition to all time-related deposits, savings deposits, and non-institutional money-market funds. M2 is a broader classification of money than M1. Economists use M2 when looking to quantify the amount of money in circulation and trying to explain different economic monetary conditions. M1 is a category of the money supply that includes all physical money such as coins and currency; it also includes demand deposits, which are checking accounts, and Negotiable Order of Withdrawal (NOW) Accounts. This is used as a measurement for economists trying to quantify the amount of money in circulation. The M1 is a very liquid measure of the money supply, as it contains cash and assets that can quickly be converted to currency.

FUND HISTORY AS OF OCTOBER 31, 2007

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when sold, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.ceefund.com for the Fund's most recent performance.

TOTAL RETURNS:

	For the years ended October 31,				
	2007	**2006**	**2005**	**2004**	**2003**
Net Asset Value(a)	42.32%	48.55%(b)	48.74%	35.20%(c)	44.88%
Market Value(a)	41.83%	19.25%	80.71%	18.73%	60.38%
Benchmark	38.95%(1)	45.00%(1)	37.81%(1)	32.73%(2)	40.65%(3)

(a) Total return based on net asset value reflects changes in the Fund's net asset value during each period. Total return based on market value reflects changes in market value. Each figure includes reinvestments of dividend and capital gains distributions, if any. These figures will differ depending upon the level of any discount from or premium to net asset value at which the Fund's shares trade during the period.

(b) Return excludes the effect of the $3.25 per share dilution associated with the Fund's rights offering.

(c) Return excludes the effect of the $2.15 per share dilution associated with the Fund's rights offering.

(1) Represents an arithmetic composite consisting of 45% CECE**/45% RTX***/10% ISE National 30*.

(2) Represents an arithmetic composite consisting of 70% CECE/30% RTX for the 5 months ended March 31, 2004 and 45% CECE/45% RTX/10% ISE National 30 for the 7 months ended October 31, 2004. The Fund changed its benchmark from 70% CECE/30% RTX to 45% CECE/45% RTX/10% ISE National 30 on April 1, 2004.

(3) Represents an arithmetic composite consisting of 85% CECE/15% RTX for the 9 months ended July 31, 2003 and 70% CECE/30% RTX for the 3 months ended October 31, 2003. The Fund changed its benchmark from 85% CECE/15% RTX to 70% CECE/30% RTX on August 1, 2003.

* *The ISE National 30 is a capitalization-weighted index composed of National Market companies on the Istanbul Stock Exchange except investment trusts and will also be used for trading in the Derivatives Market.*

** *The CECE is a regional capitalization-weighted index including stocks from the Czech Republic, Hungary and Poland and is published daily by the Vienna Stock Exchange.*

*** *The RTX is a capitalization-weighted index of Russian blue chip stocks and published daily by the Vienna Stock Exchange.*

Index returns assume reinvestment of dividends and, unlike Fund returns, do not reflect any fees or expenses. It is not possible to invest directly in an index.

Investments in funds involve risks including the loss of principal.

This Fund is not diversified and may focus its investments in certain geographical regions, thereby increasing its vulnerability to developments in that region. Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation and political and economic changes and market risks. This may result in greater share price volatility.

Closed-end funds, unlike open-end funds, are not continuously offered. Shares, once issued, are traded in the open market through stock exchange. Shares of closed-end funds frequently trade at a discount to net asset value. The price of the Fund's shares is determined by a number of factors, several of which are beyond the control of the Fund. Therefore, the Fund cannot predict whether its shares will trade at, below or above net asset value.

The Fund has elected to not be subject to the statutory calculation, notification and publication requirements of the German Investment Tax Act (Investmentsteuergesetz). As a result, German investors in the Fund may be subject to less favorable lump-sum taxation under German law.

FUND HISTORY AS OF OCTOBER 31, 2007 (continued)

STATISTICS:

Net Assets	$ 1,049,651,671
Shares Outstanding	14,747,016
NAV Per Share	$ 71.18

DIVIDEND AND CAPITAL GAIN DISTRIBUTIONS:

Record Date	Payable Date	Ordinary Income	ST Capital Gains	LT Capital Gains	Total
12/21/06	12/28/06	$ 0.58	$ 1.94	$ 2.99	$ 5.51
12/20/05	12/30/05	$ 0.33	$ 0.21	$ 2.51	$ 3.05
12/22/04	12/31/04	$ 0.17	$	$	$ 0.17
12/22/03	12/31/03	$ 0.22	$	$	$ 0.22
11/19/01	11/29/01	$ 0.10	$ 0.13	$	$ 0.23

OTHER INFORMATION:

NYSE Ticker Symbol	CEE	
NASDAQ Symbol	XCEEX	
Dividend Reinvestment Plan	Yes	
Voluntary Cash Purchase Program	Yes	
Annualized Expense Ratio (10/31/07)*		1.01%

* Represents expense ratio before custody credits. Please see "Financial Highlights" section of this report.

10 LARGEST HOLDINGS AS OF OCTOBER 31, 2007 (As a % of Portfolio's Assets)

1.	Gazprom	10.9
2.	JSC MMC Norilsk Nickel	7.6
3.	Lukoil	7.1
4.	Ceske Energeticke Zavody	4.9
5.	Powszechna Kasa Oszczednosci Bank Polski	4.5
6.	Sberbank	4.4
7.	Telekomunikacja Polska	3.8
8.	Rosneft Oil Company	3.6
9.	Bank Pekao	3.6
10.	RAO Unified Energy System of Russia	3.5

COUNTRY BREAKDOWN AS OF OCTOBER 31, 2007 (As a % of Portfolio's Assets)*

Country Breakdown and 10 Largest Holdings are subject to change and is not indicative of future portfolio composition.

Following the Fund's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

* Securities listed in country where the significant business of the company is located.

INTERVIEW WITH THE LEAD PORTFOLIO MANAGER Ralf Oberbannscheidt

Question: **Several of the fund's core markets Poland, Russia, and Turkey in particular have had or are about to see a change in government. Could you comment on how these changes have impacted the market environment in each of these countries?**

Answer: In Poland, parliamentary elections in October brought about change as the Civic Platform party took control from the ruling party. Though the Civic Platform did not win enough votes to form a single-party majority, voter turnout was high and the vote is seen as a mandate for change. As a result, markets got a temporary boost following the election outcome. Expected changes with the more European Union (EU) oriented government include increased likelihood of a more rapid adoption of the euro, renewed reform momentum including a reduction in the corporate tax rate, a more constructive fiscal policy, and a stronger currency.

As noted in our semi-annual report, Turkey held its parliamentary elections over the summer on an accelerated schedule, following political tension surrounding the presidential contest. The market rallied following the AKP party's election success while some volatility returned amidst tensions over the election of Abdullah Gul as President. Since then, Turkey has been relatively calm on the political front. Two main topics in recent months were changes to the constitution particularly the discussion on whether to remove the headscarf ban at universities and the October referendum on legal changes for the presidential and parliamentary elections. Other focus areas are Cyprus and Northern Iraq.

In Russia, President Putin attracted the market's attention in September by declaring that he would become the head of political party United Russia. On the back of Putin's popularity, the party received more than 60% of the vote in parliamentary elections held the first week of December. In addition, Putin's announcement spurred speculation that he would retain power not by seeking an (unconstitutional) third term as president but rather by moving into the role of prime minister. From a market perspective, this move which has gain further credence following news that Putin protege Dmitry Medvedev will receive United Russia's support in the March 2008 presidential elections reduces some of the uncertainty surrounding Putin's succession plan and improves the odds of a smooth transition.

Question: Have the subprime problems in the US had any impact on the fund's holdings?

Answer: The biggest short-term impact appears to be from a market sentiment and risk appetite perspective. In Hungary, for example, OTP Bank fell 10% in August even though the company does not have any exposure to the US subprime crisis. Banking stocks in Poland also took a hit, with the worst-performing Polish bank, Getin Holding, being penalized for its perceived exposure to the subprime crunch.

The Turkish financial sector was subject to fairly severe stress, even if Turkish banks experienced little impact on their operations or margins. Banks with a high growth story and high operating leverage bounced back strongly, outperforming the Turkish market in the third quarter, while property companies felt the brunt of the credit storm.

Russia's Sberbank managed to finish the third quarter in positive territory as the company's low dependence on foreign borrowings and a leading position on the retail deposit market somewhat insulated the stock. In the medium term, one of the key issues facing banks in the region is the increased cost of borrowing, as deposits are not sufficient to fund asset growth. Support from the governments and central banks will be an important support as banks face potential liquidity issues. Another key area to watch in some countries in the region, where private sector credit has grown 40% or more in the past year, is the possibility of the credit market overheating.

Question: How is the weaker dollar impacting the fund's core markets?

Answer: Generally, the weaker US dollar has benefited the local currencies, which have appreciated significantly this year, especially as central banks attempt to mitigate inflationary pressures. The Turkish lira (TRY), which has seen this biggest move against the dollar this year, could become a source of concern as some believe that the TRY has appreciated too far too fast on the back of a high interest rate differential and that the TRY now trades above fair value. In terms of stocks in the fund's core markets, the impact on individual companies of course depends on whether the company's revenues and costs (including debt obligations) are primarily denominated in dollars or local currency especially if there is a mismatch. One of the reasons we prefer the domestic consumption story is that companies that are benefiting from domestic growth are mor e likely to have local currency revenues, which helps in an environment of a strengthening currency, especially for companies that have dollar-denominated debt. However, it is important to note that the dollar has become less significant for much of the region, as focus has turned increasingly toward the euro. It is not only the EU accession countries that have increasingly looked to the euro even Russia recently changed to a basket USD/EUR approach in managing its currency. In this context, companies in the fund's core markets could be beneficiaries of a stronger euro, which makes the EU's exports less attractive and increases pressure on EU companies to reduce costs through measures such as off-shoring production.

The views expressed in this report reflect those of the named individuals only through the end of the period of the report stated on the cover. This information is subject to change at any time based on the market and other conditions and should not be construed as a recommendation. Past performance does not guarantee future results.

DIRECTORS OF THE FUND

Name, Address, Age*	**Principal Occupation(s) During Past Five Years**	**Other Directorships Held by Director**
Detlef Bierbaum, 65(1)(2) Class I	Partner of Sal. Oppenheim Jr. & Cie KGaA (investment management) (over five years).	Director, The European Equity Fund, Inc. (since 1986). Member, Supervisory Board, Tertia Handelsbeteiligungsgesellschaft mbH (electronic retailor). Member, Supervisory Board, Douglas AG (retailer). Member, Supervisory Board, LVM Landwirtschaftlicher Versicherungsverein (insurance). Member, Supervisory Board, Monega KAG. Member of Supervisory Board, AXA Investment Managers GmbH (Investment Company). Chairman of Supervisory Board, Oppenheim Kapitalanlagegesellsehaft mbH (investment company). Chairman of the Supervisory Board, Oppenheim Real Estate Investment GmbH. Chairman of Administrative Board, Oppenheim Prumerica Asset Management S.a.r.l. (investment company). Member of Supervisory Board, Atradius N.V. (insurance company). Member of the Supervisory Board of DWS Investment GmbH. Member of the Board of Quindee REIT, Toronto.

DIRECTORS OF THE FUND (continued)

Name, Address, Age*	Principal Occupation(s) During Past Five Years	Other Directorships Held by Director
Dr. Kurt W Bock, 49(1) Class II	Member of the Board of Executive Directors and CFO, BASF Aktiengesellschaft (since 2003); President, Logistics and Information Services, BASF Aktiengesellschaft (2000-2003); Chief Financial Officer, BASF Corporation (1998-2000); Managing Director, Robert Bosch Ltda. (1996-1998); Senior Vice President, Finance and Accounting, Robert Bosch GmbH (1994-1996); Senior Vice President, Finance, Robert Bosch GmbH (1992-1994); Head of Technology, Planning and Controlling, Engineering Plastics division, BASF Aktiengesellschaft (1991-1992); Executive Assistant to BASF's Chief Financial Officer (1987-1991).	Director of The European Equity Fund, Inc. (since 2004). Member ot the Supervisory Boards of Wintershall AG (since 2003), Wintershall Holding AG (since 2006), and BASF Coatings AG (since 2006). Member of the Advisory Boards of Landesbank Baden- Wurttemberg (since 2003), Gebr. Röchling KG (since 2004). Member of the Advisory Forum of Deutsche Bank AG (since 2004). Member of the Boards of BASFIN Corporation (since 2002), Deutsches Rechnungslegungs Standards Committee ("DRSC") (since 2003).
John Bult, 71(1)(2) Class II	Chairman, PaineWebber International (since 1985)	Director, The European Equity Fund, Inc. (since 1986) and The New Germany Fund, Inc. (since 1990). Director, The Greater China Fund, Inc. (closed end fund).
Ambassador Richard R. Burt, 60(1) Class I	Senior Advisor, Kissinger McLarty Associates (international strategic advisory) (since 2007). Chairman, Diligence, Inc. (international information and risk management firm) (2002-2007). Chairman, IEP Advisors, LLP (information services firm) (1998-2001). Chairman of the Board, Weirton Steel Corp. (1996-2004). Formerly, Partner, McKinsey & Company (consulting firm) (1991-1994). U.S. Ambassador to the Federal Republic of Germany (1985-1989).	Director, The European Equity Fund, Inc. (since 2000) and The New Germany Fund, Inc. (since 2004). Board Member, IGT, Inc. (gaming technology) (since 1995). Board Member, IICL Technologies, Inc. (information technology and product engineering) (since 1999). Member, Textron Inc. International Advisory Council (aviation, automotive, industrial operations, and finance) (since 1996). Director, UBS family of Mutual Funds (since 1998).
John H. Cannon, 65(1) Class I	Consultant (since 2002); Vice President and Treasurer Venator Group/Footlocker Inc. (footwear retailer) (until 2001).	Director of The New Germany Fund, Inc. (since 1990) and The European Equity Fund, Inc. (since 2004).

DIRECTORS OF THE FUND (continued)

Name, Address, Age*	Principal Occupation(s) During Past Five Years	Other Directorships Held by Director
Dr. Friedbert Malt, 66(1) Class II	Vice Chairman and Member of the Executive Committee of NOL Neptune Orient Lines Ltd., Singapore ("NOL") (since 2002). Advisor to the Board of Managing Directors of DZ Bank, Frankfurt (2002).	Member of the Board of NOL (since 2000). Director, The European Equity Fund, Inc. (since 2007) and The New Germany Fund, Inc. (since 2007). Director, TÜV Rheinland of North America, Inc. (independent testing and assessment services).
Christian H. Strenger, 64(1)(2) Class III	Member of Supervisory Board (since 1999) and formerly Managing Director (1991-1999) of DWS Investment GmbH (investment management), a subsidiary of Deutsche Bank AG.	Director of The European Equity Fund, Inc. (formerly The Germany Fund, Inc.) (since 1986) and The New Germany Fund, Inc. (since 1990). (Member, Supervisory Board, Fraport AG (international airport business) and Hermes Focus Asset Management Europe Ltd. (asset management).
Dr. Frank Trömel, 71(1) Class III	Deputy Chairman of the Supervisory Board of DELTON AG (strategic management holding company operation in the pharmaceutical, household products, logistics and power supply sectors) (2000-2006). Member (2000) and Vice-President (2002-2006) of the German Accounting Standards Board; Chairman of the Board of Managing Directors of DELTON AG (1990-1999); Chairman of the Board of Managing Directors of AL TANA AG (1987-1990) (management holding company for pharmaceutical and chemical operation) and Member of the Board (1977-1987).	Director, The European Equity Fund, Inc (since 2005) and The New Germany Fund, Inc (since 1990).

DIRECTORS OF THE FUND (continued)

Name, Address, Age*	Principal Occupation(s) During Past Five Years	Other Directorships Held by Director
Robert H. Wadsworth, 67(1)(3) Class II	President, Robert H. Wadsworth Associates, Inc. (consulting firm) (May 1983-present). Formerly, President and Trustee, Trust for Investment Managers (registered investment companies) (April 1999-June 2002). President, Investment Company Administration, L.L.C. (January 1992(4)-July 2001). President, Treasurer and Director, First Fund Distributors, Inc. (mutual fund distribution) (June 1990-January 2002). Vice President, Professionally Managed Portfolios (May 1991-January 2002) and Advisors Series Trust (registered investment companies) (October 1996-January 2002).	Director, The European Equity Fund, Inc. (since 1986) and The New Germany Fund, Inc. (since 1992) as well as other funds in the Fund Complex as indicated.
Werner Walbröl, 70(1) Class III	President and Chief Executive Officer, The European American Chamber of Commerce, Inc. Formerly, President and Chief Executive Officer, The German American Chamber of Commerce, Inc. (until 2003).	Director of The European Equity Fund, Inc. (since 1986) and The New Germany Fund, Inc. (since 1990). Director, TÜV Rheinland of North America, Inc. (independent testing and assessment services). Director, The German American Chamber of Commerce, Inc. President and Director, German-American Partnership Program (student exchange programs). Director, AXA Art Insurance Corporation (fine art and collectible insurer).

Each has served as a Director of the Fund since the Fund's inception in 1990 except for Ambassador Burt, Dr. Bock, Mr. Cannon, and Dr. Trömel. Ambassador Burt was elected to the Board on June 30, 2000, Dr. Bock was elected to the Board on May 5, 2004, Mr. Cannon was elected to the Board on April 23, 2004, Dr. Trömel was elected to the Board on July 17, 2005 and Dr. Malt was elected to the Board on July 23, 2007. The term of office for Directors in Class I expires at the 2010 Annual Meeting, Class II expires at the 2008 Annual Meeting and Class III expires at the 2009 Annual Meeting. Each Director also serves as a Director of The European Equity Fund, Inc., one of the two other closed-end registered investment companies for which Deutsche Investment Management Americas Inc. acts as manager.

(1) Indicates that Messrs. Bult, Burt, Cannon, Malt, Trömel, Walbröl, Wadsworth and Strenger each also serve as a Director of The European Equity Fund, Inc. and The New Germany Fund, Inc., two other closed-end registered investment companies for which Deutsche Investment Management Americas Inc. acts as manager. Indicates that Messrs. Bierbaum and Bock also serve as a Director of The European Equity Fund, Inc., one of the two other closed-end registered investment companies for which Deutsche Investment Management Americas Inc. acts as manager.

(2) Indicates "interested" Director, as defined in the Investment Company Act of 1940, as amended (the "1940 Act"). Mr. Bierbaum is an "interested" Director because of his affiliation with Sal. Oppenheim Jr. & Cie KGaA, which engages in brokerage with the Fund and other accounts managed by the investment advisor and manager; Mr. Bult is an "interested" Director because of his affiliation with PaineWebber International, an affiliate of UBS Securities Inc., a registered broker-dealer; and Mr. Strenger is an "interested" Director because of his affiliation with DWS-Deutsche Gesellschaft fur Werpapiersparen mbH ("DWS"), a majority-owned subsidiary of Deutsche Bank AG and because of his ownership of Deutsche Bank AG shares.

(3) Indicates that Mr. Wadsworth also serves as Director/Trustee of the following open-end investment companies: DWS Balanced Fund, DWS Blue Chip Fund, DWS Equity Trust, DWS High Income Series, DWS State Tax-Free Income Series, DWS Strategic Income Fund, DWS Target Fund, DWS Technology Fund, DWS U.S. Government Securities Fund, DWS Value Series, Inc., DWS Variable Series II, Cash Account Trust, Investors Cash Trust, Investors Municipal Cash Fund, Tax-Exempt California Money Market Fund and DWS Money Funds. Mr. Wadsworth also serves as Director of Dreman Value Income Edge Fund, Inc., DWS High Income Trust, DWS Multi-Market Income Trust, DWS Municipal Income Trust, DWS Strategic Income Trust, DWS Strategic Municipal Income Trust, closed-end investment companies. These Funds are advised by Deutsche Investment Management Americas Inc., an indirect wholly-owned sub sidiary of Deutsche Bank AG.

(4) Inception date of corporation which was predecessor to the LLC.

* The address of each Director is 345 Park Avenue, New York, NY 10154.

OFFICERS OF THE FUND*

Name, Age	Principal Occupations During Past Five Years
Michael G. Clark(1,2), 42 President and Chief Executive Officer	Managing Director(3), Deutsche Asset Management (2006-present); President of DWS family of funds; formerly, Director of Fund Board Relations (2004-2006) and Director of Product Development (2000-2004), Merrill Lynch Investment Managers; Senior Vice President Operations, Merrill Lynch Asset Management (1999-2000)
Paul H. Schubert(2), 44 Chief Financial Officer and Treasurer	Managing Director(3), Deutsche Asset Management (since July 2004); formerly, Executive Director, Head of Mutual Fund Services and Treasurer for UBS Family of Funds (1998-2004); Vice President and Director of Mutual Fund Finance at UBS Global Asset Management (1994-1998)
David Goldman(2,4), 33 Secretary	Vice President(3), Deutsche Asset Management
John Millette(5,6), 45 Assistant Secretary	Director(3), Deutsche Asset Management
Elisa D. Metzger(2,7), 45 Chief Legal Officer	Director(3), Deutsche Asset Management (since September 2005); formerly, Counsel, Morrison and Foerster LLP (1999-2005)
Brett Rogers(8), 31 Chief Compliance Officer	Vice President(3), Deutsche Asset Management (2005-present). Formerly, Assistant Vice President, Deutsche Asset Management.

Each also serves as an Officer of The European Equity Fund, Inc. and The New Germany Fund, Inc., two other closed-end registered investment companies for which Deutsche Investment Management Americas Inc. acts as manager.

* As a result of their respective positions held with the Manager, these individuals are considered "interested persons" of the Manager within the meaning of the 1940 Act. Interested persons receive no compensation from the Fund.

(1) Since June 15, 2006.

(2) Address: 345 Park Avenue, New York, New York 10154.

(3) Executive title, not a board directorship.

(4) Since July 14, 2006.

(5) Since July 14, 2006. From January 30, 2006 to July 14, 2006 served as Secretary to the Fund.

(6) Address: Two International Place, Boston, Massachusetts 02110.

(7) Since January 30, 2006.

(8) Since April 20, 2007.

SHARES REPURCHASED AND ISSUED

The Fund has been purchasing shares of its common stock in the open market. Shares repurchased and shares issued for dividend reinvestment for the past five years are as follows:

Fiscal year ended October 31,	**2007**	**2006**	**2005**	**2004**	**2003**
Shares repurchased	47,900			97,300	237,400
Shares issued for dividend reinvestment	792,411	388,226		37,769	
Shares issued in rights offering		3,417,070		2,555,677	

PRIVACY POLICY AND PRACTICES

We never sell customer lists or information about individual clients (stockholders). We consider privacy fundamental to our client relationships and adhere to the policies and practices described below to protect current and former clients' information. Internal policies are in place to protect confidentiality, while allowing client needs to be served. Only individuals who need to do so in carrying out their job responsibilities may access client information. We maintain physical, electronic and procedural safeguards that comply with federal and state standards to protect confidentiality. These safeguards extend to all forms of interaction with us, including the Internet.

In the normal course of business, we may obtain information about stockholders whose shares are registered in their names. For purposes of these policies, "clients" means stockholders of the Fund. (We generally do not have knowledge of or collect personal information about stockholders who hold Fund shares in "street name," such as through brokers or banks.) Examples of the nonpublic personal information collected are name, address, Social Security number and transaction and balance information. To be able to serve our clients, certain of this client information may be shared with affiliated and nonaffiliated third party service providers such as transfer agents, custodians, and broker-dealers to assist us in processing transactions and servicing the clients' account with us. The organizations described above that receive client information may only use it for the purpose designated by the Fund.

We may also disclose nonpublic personal information about clients to other parties as required or permitted by law. For example, we are required or we may provide information to government entities or regulatory bodies in response to requests for information or subpoenas, to private litigants in certain circumstances, to law enforcement authorities, or any time we believe it necessary to protect the firm from such activity.

CERTIFICATIONS

The Fund's chief executive officer has certified to the New York Stock Exchange that, as of July 20, 2007, he was not aware of any violation by the Fund of applicable NYSE corporate governance listing standards. The Fund's reports to the Securities and Exchange Commission on Forms N-CSR, N-CSRS and N-Q contain certifications by the Fund's chief executive officer and chief financial officer that relate to the Fund's disclosure in such reports and that are required by rule 30a-2(a) under the Investment Company Act.

PROXY VOTING

A description of the Fund's policies and procedures for voting proxies for portfolio securities and information about how the Fund voted proxies related to its portfolio securities during the 12-month period ended June 30 is available on our Web site www.ceefund.com or on the SEC's Web site www.sec.gov. To obtain a written copy of the Fund's policies and procedures without charge, upon request, call us toll free at (800) 437-6269.

THE CENTRAL EUROPE AND RUSSIA FUND, INC.
SCHEDULE OF INVESTMENTS OCTOBER 31, 2007

Shares	Description	Value(a)
INVESTMENTS IN RUSSIAN SECURITIES 50.5%		
	COMMON STOCKS 49.5%	
	BUILDING PRODUCTS 0.4%	
40,000	Sibirskiy Cement	$ 3,720,000
	COMMERCIAL BANKS 5.1%	
10,421,000	Sberbank	44,810,300
1,000	Sberbank RF (GDR) Reg S	503,452
865,500	VTB Bank OJSC (GDR) Reg S*	8,308,800
		53,622,552
	DIVERSIFIED TELECOMMUNICATION SERVICES 1.4%	
600,000	Comstar United Telesystems (GDR)	7,350,000
117,100	Rostelecom (ADR)	6,990,870
		14,340,870
	ELECTRIC UTILITIES 3.7%	
106,380	OJSC Territorial Generating (GDR) Reg S*	433,260
257,818	OJSC The Fifth Power Generation (GDR)*	2,194,710
293,000	RAO Unified Energy System of Russia (GDR) Reg S*	36,039,000
		38,666,970
	ENERGY EQUIPMENT & SERVICES 1.1%	
498,824	Integra Group Holdings (GDR) Reg S*	7,981,184
91,000	OAO TMK (GDR) Reg S	4,048,590
		12,029,774
	FOOD PRODUCTS 0.5%	
60,000	Lebedyansky JSC	5,580,000
	METALS & MINING 9.0%	
200,000	Evraz Group (GDR) Reg S	15,100,000
250,000	JSC MMC Norilsk Nickel (ADR)	78,750,000
3,000	Vsmpo-Avisma Corporation	952,500
		94,802,500
	OIL, GAS & CONSUMABLE FUELS 26.0%	
1,400,000	Gazprom	17,360,000
800,000	LUKOIL (ADR)	73,120,000
270,000	NovaTek OAO (GDR) Reg S	15,498,000
1,900,000	OAO Gazprom (ADS)	94,620,000
4,250,000	Rosneft Oil Company (GDR)	37,697,500
400,000	Surgutneftegaz (ADR)	26,200,000
70,000	Tatneft (GDR) Reg S	8,732,500

		273,228,000

Shares	Description	Value(a)
	PHARMACEUTICALS 0.5%	
78,570	Pharmstandard*	$ 5,224,905
	REAL ESTATE 0.6%	
600,000	RGI International Ltd.*	6,228,000
	WIRELESS TELECOMMUNICATIONS SERVICES 1.2%	
50,000	Mobile Telesystems (ADR)	4,130,000
100,000	Mobile Telesystems (GDR) Reg S	8,260,000
		12,390,000
	Total Common Stocks (cost $238,616,025)	519,833,571
	PREFERRED STOCK 1.0%	
	OIL, GAS & CONSUMABLE FUELS 1.0%	
5,000	Transneft (cost $11,300,064)	9,725,000
	Total Investments in Russian Securities (cost $249,916,089)	529,558,571
INVESTMENTS IN POLISH COMMON STOCKS 18.4%		
	COMMERCIAL BANKS 8.3%	
350,000	Bank Pekao	36,961,718
10,000	Bank Przemyslowo-Handlowy BPH	3,899,932
2,078,000	Powszechna Kasa Oszczednosci Bank Polski	45,942,318
		86,803,968
	DIVERSIFIED TELECOMMUNICATION SERVICES 3.7%	
3,695,207	Telekomunikacja Polska	34,769,067
490,000	Telekomunikacja Polska 144A (GDR)	4,610,900
		39,379,967
	MEDIA 1.2%	
1,250,056	TVN	12,449,269
	METALS & MINING 2.8%	
550,000	KGHM Polska Miedz	29,621,957

The accompanying notes are an integral part of the financial statements.

THE CENTRAL EUROPE AND RUSSIA FUND, INC.
SCHEDULE OF INVESTMENTS OCTOBER 31, 2007 (continued)

Shares	Description		Value(a)
	OIL, GAS & CONSUMABLE FUELS 2.4%		
786,102	Polski Koncern Naftowy Orlen*	$	18,037,476
149,500	Polski Koncern Naftowy Orlen (GDR) Reg S*		6,889,483
			24,926,959
	Total Investments in Polish Common Stocks (cost $106,414,541)		193,182,120
INVESTMENTS IN TURKISH COMMON STOCKS 12.6%			
	AUTOMOBILES 1.1%		
400,000	Ford Otomotiv Sanayi		4,682,160
1,350,000	Tofas Turk Otomobil Fabrikasi		7,093,729
			11,775,889
	BUILDING PRODUCTS 0.3%		
1,251,894	Trakya Cam Sanayii		3,230,280
	COMMERCIAL BANKS 4.0%		
788,186	Akbank T.A.S.		7,138,390
2,399,999	Turkiye Garanti Bankasi		21,941,208
1,399,999	Turkiye Is Bankasi		9,509,563
1,000,000	Turkiye Vakiflar Bankasi T.A.O.		3,776,487
			42,365,648
	CONSTRUCTION MATERIALS 0.5%		
690,000	Akcansa Cimento		5,011,107
	FOOD & STAPLES RETAILING 1.6%		
203,200	Bim Birlesik Magazalar		16,667,122
	HOTELS RESTAURANTS & LEISURE 0.4%		
3,840,000	Marmaris Marti Otel Isletmeleri		4,232,399
	INDUSTRIAL CONGLOMERATES 1.3%		
900,000	Enka Insaat ve Sanayi		13,995,215
	INSURANCE 0.7%		
1,520,833	Anadolu Hayat Emeklilik		7,471,625
	MEDIA 0.7%		
2,000,000	Hurriyet Gazetecilik ve Matbaacilik*		7,142,857

Shares	Description		Value(a)
	OIL, GAS & CONSUMABLE FUELS 1.4%		
500,000	Tupras-Turkiye Petrol Rafinerileri	$	14,097,744
	WIRELESS TELECOMMUNICATIONS		

	SERVICES 0.6%	
683,166	Turkcell Iletisim Hizmetleri	6,537,474
	Total Investments in Turkish Common Stocks (cost $68,644,069)	132,527,360
INVESTMENTS IN CZECH REPUBLIC COMMON STOCKS 6.1%		
	DIVERSIFIED TELECOMMUNICATION SERVICES 1.3%	
445,000	Telefonica 02 Czech Republic	13,809,108
	ELECTRIC UTILITIES 4.8%	
700,000	Ceske Energeticke Zavody	50,553,466
	Total Investments in Czech Republic Common Stocks (cost $14,837,539)	64,362,574
INVESTMENTS IN HUNGARIAN COMMON STOCKS 4.6%		
	COMMERCIAL BANKS 2.0%	
387,400	OTP Bank	20,890,527
	DIVERSIFIED TELECOMMUNICATION SERVICES 1.0%	
2,000,000	Magyar Telekom Nyrt.	10,727,440
	OIL, GAS & CONSUMABLE FUELS 0.9%	
58,950	MOL Hungarian Oil and Gas Nryt.	9,066,752
	PHARMACEUTICALS 0.7%	
30,000	Richter Gedeon Nyrt.	6,493,439
4,300	Richter Gedeon Nyrt. (GDR)	932,240
		7,425,679
	Total Investments in Hungarian Common Stocks (cost $21,173,980)	48,110,398

The accompanying notes are an integral part of the financial statements.

THE CENTRAL EUROPE AND RUSSIA FUND, INC.
SCHEDULE OF INVESTMENTS OCTOBER 31, 2007 (continued)

Shares		Description	Value(a)
INVESTMENTS IN AUSTRIAN COMMON STOCKS 2.4%			
		COMMERCIAL BANKS 2.4%	
	310,868	Erste Bank der Oesterreichischen Sparkassen (cost $12,525,110)	$ 25,185,033
INVESTMENTS IN BERMUDA COMMON STOCKS 1.1%			
		MEDIA 1.1%	
	100,000	Central European Media Enterprises(b)* (cost $9,838,805)	11,251,000
INVESTMENTS IN CYPRUS COMMON STOCKS 0.9%			
		OIL, GAS & CONSUMABLE FUELS 0.5%	
	875,000	Urals Energy Public Co., Ltd.(c)*	5,089,140
		REAL ESTATE 0.4%	
	400,000	AFI Development PLC (GDR) Reg S(c)*	4,160,000
		Total Investments in Cyprus Common Stocks (cost $7,953,565)	9,249,140
INVESTMENTS IN SWEDISH COMMON STOCKS 0.4%			
		DIVERSIFIED FINANCIALS 0.1%	
	52,000	Vostok Nafta Investment (SDR)(c)*	778,773
		ENERGY 0.3%	
	52,000	Vostok Gas Ltd.(c)*	3,548,428
		Total Investments in Swedish Common Stocks (cost $427,267)	4,327,201
INVESTMENTS IN DUTCH COMMON STOCKS 0.3%			
		BEVERAGES 0.3%	
	93,000	Efes Breweries International (GDR)(c)* (cost $3,091,954)	3,034,590

Shares		Description	Value(a)
CLOSED END INVESTMENT COMPANY 0.9%			
		VIRGIN ISLANDS 0.9%	
	2,788,996	RenShares Utilities Limited(c)* (cost $4,435,731)	$ 9,761,486
		Total Investments in Common and Preferred Stocks 98.1% (cost $499,258,650)	1,030,549,473
SECURITIES LENDING COLLATERAL 2.8%			
	29,138,398		29,138,398

		Daily Assets Institutional Fund, 5.39%(d)(e) (cost $29,138,398)	
CASH EQUIVALENTS 0.7%			
	7,425,911	Cash Management QP Trust, 5.06%(e) (cost $7,425,911)	7,425,911
		Total Investments 101.7% (cost $535,822,959)	1,067,113,782
		Other Assets and Liabilities, Net (1.7%)	(17,462,111)
		NET ASSETS 100.0%	$ 1,049,651,671

* Non-income producing securities.

All or a portion of these securities were on loan. The value of all securities loaned at October 31, 2007 amounted to $28,525,038 which is 2.7% of the net assets.

144A - Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

(a) Values stated in US dollars.

(b) Security listed in country of incorporation. Significant business activities of company are in Slovakia.

(c) Security listed in country of incorporation. Significant business activities of company are in Russia.

(d) Represents collateral held in connection with securities lending.

(e) Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

Key

ADR American Depositary Receipt

ADS American Depositary Share

GDR Global Depositary Receipt

SDR Swedish Depositary Receipt

The accompanying notes are an integral part of the financial statements.

THE CENTRAL EUROPE AND RUSSIA FUND, INC.
STATEMENT OF ASSETS AND LIABILITIES
OCTOBER 31, 2007

ASSETS		
Investments:		
Investments, at value, (cost $499,258,650) including $28,525,038 of securities loaned	$	1,030,549,473
Investments in Cash Management QP Trust (cost $7,425,911)		7,425,911
Investment in Daily Assets Fund Institutional (cost $29,138,398)*		29,138,398
Total investments, at value (cost $535,822,959)		1,067,113,782
Cash		3,570,358
Foreign currency, at value (cost $9,466,474)		10,100,040
Dividends receivable		2,714,319
Foreign withholding tax refund receivable		275,031
Interest receivable		50,690
Other assets		90,025
Total assets		1,083,914,245
LIABILITIES		
Payable upon return of securities loaned		29,138,398
Payable for Fund shares repurchased		466,026
Payable for securities purchased		3,562,060
Management fee payable		460,153
Investment advisory fee payable		223,330
Payable for Directors' fees and expenses		22,401
Accrued expenses and accounts payable		390,206
Total liabilities		34,262,574
NET ASSETS	$	1,049,651,671
NET ASSETS CONSIST OF:		
Paid-in capital, $.001 par (Authorized 80,000,000 shares)	$	408,102,200
Cost of 4,731,706 shares held in treasury		(31,282,842)
Undistributed net investment income		3,823,189
Accumulated net realized gain on investments and foreign currency		136,905,002
Net unrealized appreciation on investments and foreign currency		532,104,122
Net assets	$	1,049,651,671
Net asset value per share ($1,049,651,671 ÷ 14,747,016) shares of common stock issued and outstanding)	$	71.18

*Represents collateral on securities loaned.

The accompanying notes are an integral part of the financial statements.

THE CENTRAL EUROPE AND RUSSIA FUND, INC.
STATEMENT OF OPERATIONS

		For the year ended October 31, 2007
NET INVESTMENT INCOME		
Dividends (net of foreign withholding taxes of $2,276,882)	$	13,646,362
Interest		614,214
Interest Cash Management QP Trust		113,835
Securities lending, including income from Daily Assets Fund Institutional, net of borrower rebates		305,616
Total investment income		14,680,027
Expenses:		
Management fee		4,673,245
Investment advisory fee		2,261,622
Custodian fee		1,251,562
Services to shareholders		28,788
Reports to shareholders and shareholder meetings		190,102
Directors' fees and expenses		122,235
Legal fee		45,658
Audit fee		86,027
NYSE Listing fee		50,290
Insurance		48,385
Miscellaneous		34,411
Total expenses before custody credits		8,792,325
Less: custody credits*		(135,940)
Net expenses		8,656,385
Net investment income		6,023,642
REALIZED AND UNREALIZED GAIN (LOSS)		
Net realized gain (loss) from:		
Investments		138,859,218
Foreign currency		(9,762)
Change in net unrealized appreciation (depreciation) during the period on:		
Investments		169,020,887
Foreign currency		774,695
Net gain on investments and foreign currency		308,645,038
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$	314,668,680

*The custody credits are attributable to interest earned on U.S. cash balances held on deposit at the custodian.

The accompanying notes are an integral part of the financial statements.

THE CENTRAL EUROPE AND RUSSIA FUND, INC.
STATEMENTS OF CHANGES IN NET ASSETS

	For the year ended October 31, 2007	For the year ended October 31, 2006
INCREASE (DECREASE) IN NET ASSETS		
Operations:		
Net investment income	$ 6,023,642	$ 7,220,506
Net realized gain (loss) on:		
Investments	138,859,218	68,057,547
Foreign currency	(9,762)	(515,014)
Change in net unrealized appreciation (depreciation) on:		
Investments	169,020,887	148,847,632
Foreign currency	774,695	32,546
Net increase in net assets resulting from operations	314,668,680	223,643,217
Distributions to shareholders:		
Net investment income	(8,177,463)	(3,365,079)
Net realized gains	(69,060,356)	(27,756,803)
Total distributions to shareholders	(77,237,819)	(31,121,882)
Capital share transactions:		
Net proceeds from rights offering of Fund shares (0 and 3,417,070 shares, respectively)		131,742,212
Net proceeds from reinvestment of dividends (792,411 and 388,226 shares, respectively)	42,332,949	16,484,086
Cost of shares repurchased (47,900 and 0 shares, respectively)	(2,834,364)	
Net increase in net assets from capital share transactions	39,498,585	148,226,298
Total increase in net assets	276,929,446	340,747,633
NET ASSETS		
Beginning of year	772,722,225	431,974,592
End of year (including undistributed of net investment income of $3,823,189 and $5,122,133, as of October 31, 2007 and October 31, 2006, respectively)	$ 1,049,651,671	$ 772,722,225

The accompanying notes are an integral part of the financial statements.

THE CENTRAL EUROPE AND RUSSIA FUND, INC.
FINANCIAL HIGHLIGHTS

Selected data for a share of common stock outstanding throughout each of the periods indicated:

	For the years ended October 31,				
	2007	2006	2005	2004	2003
Per share operating performance:					
Net asset value:					
Beginning of period	$ 55.18	$ 42.36	$ 28.64	$ 23.08	$ 15.93
Net investment income (loss)(a)	.41	.55	.27	.20	.21
Net realized and unrealized gain (loss)	21.22	18.67	13.62	7.97	6.86
Increase (decrease) from investment operations	21.63	19.22	13.89	8.17	7.07
Increase resulting from share repurchases	.03			.02	.08
Distributions from net investment income	(.58)	(.33)	(.17)	(.22)	
Distributions from net realized gains	(4.93)	(2.72)			
Total distributions	(5.51)	(3.05)	(.17)	(.22)	
Dilution from rights offering		(2.85)		(2.15)	
Dealer manager fees and offering costs		(.40)		(.25)	
Dilution in NAV from dividend reinvestment	(.15)	(.10)		(.01)	
Net asset value:					
End of period	$ 71.18	$ 55.18	$ 42.36	$ 28.64	$ 23.08
Market value:					
End of period	$ 64.20	$ 49.94	$ 44.89	$ 24.99	$ 21.25
Total investment return for the period:					
Based upon market value	41.83%	19.25%	80.71%	18.73%	60.38%
Based upon net asset value	42.32%	48.55%*	48.74%	35.20%*	44.88%
Ratio to average net assets:					
Total expenses before custody credits**	1.01%	1.09%	1.20%	1.27%	1.51%
Net investment income (loss)	.69%	1.08%	.78%	.81%	1.00%
Portfolio turnover	34.28%	31.86%	30.16%	45.29%	43.88%
Net assets at end of period (000's)	$ 1,049,652	$ 772,722	$ 431,975	$ 292,027	$ 177,766
(a) Based on average shares outstanding method.					
For U.S. tax purposes, total distributions consisted of:					
Ordinary income	$ (2.524)	$ (.545)	$ (0.17)	$ (0.22)	
Long term capital gains	(2.992)	(2.507)			
	$ (5.516)	$ (3.052)	$ (0.17)	$ (0.22)	

Total investment return based on market value is calculated assuming that shares of the Fund's common stock were purchased at the closing market price as of the beginning of the year, dividends, capital gains and other distributions were reinvested as provided for in the Fund's dividend reinvestment plan and then sold at the closing market price per share on the last day of the period. The computation does not reflect any sales commission investors may incur in purchasing or selling shares of the Fund. The total investment return based on the net asset value is similarly computed except that the Fund's net asset value is substituted for the closing market value.

* Return excludes the effect of the $2.40 and $3.25 respectively, for 2004 and 2006 per share dilution associated with the Fund's rights offering.

** The custody credits are attributable to interest earned on U.S. cash balances. The ratios of total expenses after custody credits to average net assets are 1.00%, 1.04%, 1.19%, 1.26% and 1.50% for 2007, 2006, 2005, 2004 and 2003, respectively.

THE CENTRAL EUROPE AND RUSSIA FUND, INC.
NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2007

NOTE 1. ACCOUNTING POLICIES

The Central Europe and Russia Fund, Inc. (the "Fund") is a non-diversified, closed-end management investment company incorporated in Maryland. The Fund commenced investment operations on March 6, 1990.

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Security Valuation: Investments are stated at value. All securities for which market quotations are readily available are valued at the last sales price on the primary exchange on which they are traded prior to the time of valuation. If no sales price is available at that time, and both bid and ask prices are available, the securities are valued at the mean between the last current bid and ask prices; if no quoted asked prices are available, they are valued at the last quoted bid price. All securities for which market quotations are not readily available will be valued as determined in good faith by the Board of Directors of the Fund. The Fund calculates its net asset value per share at 11:30 a.m., New York time.

In September 2006, The Financial Accounting Standards Board (FASB) released Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS 157"). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 is effective for fiscal years beginning after November 15, 2007. As of October 31, 2007, management does not believe the adoption of FAS 157 will impact the amounts reported in the financial statements; however, additional disclosures will be required about the inputs used to develop the measurements of fair value and the effect of certain of the measurements reported in the statement of operations for a fiscal period.

Securities Transactions and Investment Income: Securities transactions are recorded on the trade date. Cost of securities sold is calculated using the identified cost method. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis. Such dividend income is recorded net of unrecoverable foreign withholding tax.

Securities Lending: The Fund may lend securities to financial institutions. The Fund retains beneficial ownership of the securities it has loaned and continues to receive interest and dividends paid by the securities and to participate in any changes in their market value. The Fund requires the borrowers of the securities to maintain collateral with the Fund consisting of liquid, unencumbered assets having a value at least equal to or greater than the "Margin Percentage" of the value of the securities loaned. "Margin Percentage" shall mean (i) for collateral which is denominated in the same currency as the loaned securities, 102%, and (ii) for collateral which is denominated in a currency different from that of the loaned securities, 105%. The Fund may invest the cash collateral into a joint trading account in an affiliated money market fund pursuant to Exe mptive Orders issued by the SEC. Deutsche Investment Management Americas Inc. receives a management fee (.04% annual effective rate as of October 31, 2007) on the cash collateral invested in the affiliated money fund. The Fund receives compensation for lending its securities either in the form of fees or by earning interest on invested cash collateral net of fees paid to a lending agent, and a portion of the interest that is paid to the borrower of the securities. Either the Fund or the borrower may terminate the loan. The Fund is subject to all investment risks associated with the value of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Foreign Currency Translation: The books and records of the Fund are maintained in United States dollars.

Assets and liabilities denominated in foreign currency are translated into United States dollars at the 11:00 a.m. mid-point of the buying and selling spot rates quoted by the Federal Reserve Bank of New York. Purchases and sales of investment securities, income and expenses are reported at the rate of exchange prevailing on the respective dates of such transactions. The resultant gains and losses arising

THE CENTRAL EUROPE AND RUSSIA FUND, INC.
NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2007 (continued)

from exchange rate fluctuations are identified separately in the Statement of Operations, except for such amounts attributable to investments, which are included in net realized and unrealized gains and losses on investments.

Contingencies: In the normal course of business, the Fund may enter into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

Taxes: No provision has been made for United States Federal income tax because the Fund intends to meet the requirements of the United States Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to shareholders.

The cost of investments at October 31, 2007 was $545,624,517 for United States Federal income tax purposes. Accordingly, as of October 31, 2007, net unrealized appreciation of investments aggregated $521,489,265, of which $528,066,526 and $6,577,261 related to unrealized appreciation and depreciation, respectively.

Additionally, based on the Fund's understanding of the tax rules and rates related to income, gains and transactions for the foreign jurisdictions in which it invests, the Fund will provide for foreign taxes, and where appropriate, deferred foreign taxes.

In July 2006, FASB issued Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109" (the "Interpretation"). The Interpretation establishes for the Fund a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether the Fund is taxable in certain jurisdictions), and requires certain expanded tax disclosures. The Interpretation is effective for fiscal years beginning after December 15, 2006. On December 22, 2006, the SEC indicated that they would not object if a Fund implements FIN 48 in the first required financial statement reporting period for its fiscal year beginning after December 15, 2006. Management is evaluating the application of the Interpretation to the Fund and is not in a position at this time to estimate the significance of its impact, if any, on the Fund's financial statements.

Dividends and Distributions to Shareholders: The Fund records dividends and distributions to its shareholders on the ex-dividend date. Income and capital gain distributions are determined in accordance with United States Federal income tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences, which could be temporary or permanent in nature, may result in reclassification of distributions; however, net investment income, net realized gains and net assets are not affected.

At October 31, 2007, the Fund's components of distributable earnings (accumulated losses) on a tax-basis were as follows:

Undistributed ordinary income*	$ 20,335,629
Undistributed net long-term capital gains	$ 130,194,119
Net unrealized appreciation	$ 521,489,265

In addition, the tax character of distributions paid to shareholders by the Fund is summarized as follows:

	Years Ended October 31	
	2007	**2006**
Distributions from ordinary income*	$ 35,342,323	$ 5,557,479
Distributions from long-term capital gains	$ 41,895,496	$ 25,564,403

*For tax purposes short-term capital gains are considered ordinary income.

During the year ended October 31, 2007, the Fund reclassified permanent book and tax differences as follows:

Increase (decrease)

Undistributed net investment income	$ 854,877
Undistributed net realized gain/loss on investments and foreign currency	(854,877)

NOTE 2. MANAGEMENT AND INVESTMENT ADVISORY AGREEMENTS

The Fund has a Management Agreement with Deutsche Investment Management Americas Inc. (the "Manager").

THE CENTRAL EUROPE AND RUSSIA FUND, INC.
NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2007 (continued)

The Fund has an Investment Advisory Agreement with Deutsche Asset Management International GmbH (the "Investment Adviser.") The Manager and the Investment Adviser are affiliated companies.

The Management Agreement provides the Manager with a fee, computed weekly and payable monthly, at the annual rates of 0.65% of the Fund's average weekly net assets up to $100 million, 0.55% of such assets in excess of $100 million and up to $500 million, 0.50% of such assets in excess of $500 million and up to $750 million, and, effective August 1, 2007, 0.45% of such assets in excess of $750 million. The Investment Advisory Agreement provides the Investment Adviser with a fee, computed weekly and payable monthly, at the annual rates of 0.35% of the Fund's average weekly net assets up to $100 million and 0.25% of such assets in excess of $100 million. Accordingly, for the year ended October 31, 2007, the combined fee pursuant to the Management and Investment Advisory Agreements was equivalent to an annualized effective rate of 0.80% of the Fund's average net assets.

Pursuant to the Management Agreement, the Manager is the corporate manager and administrator of the Fund and, subject to the supervision of the Board of Directors and pursuant to recommendations made by the Fund's Investment Adviser, determines the suitable securities for investment by the Fund. The Manager also provides office facilities and certain administrative, clerical and bookkeeping services for the Fund. Pursuant to the Investment Advisory Agreement, the Investment Adviser, in accordance with the Fund's stated investment objective, policies and restrictions, makes recommendations to the Manager with respect to the Fund's investments and, upon instructions given by the Manager as to suitable securities for investment by the Fund, transmits purchase and sale orders to select brokers and dealers to execute portfolio transactions on behalf of the Fund.

NOTE 3. TRANSACTIONS WITH AFFILIATES

DWS Scudder Investments Service Company ("DWS-SISC"), an affiliate of the Manager, is the transfer agent, dividend-paying agent and shareholder service agent of the Fund. Prior to February 1, 2007, Investors Bank & Trust Company was the transfer agent, dividend paying agent and shareholder service agent of the Fund. Effective February 1, 2007, the Board of the Fund approved a new transfer agency agreement between the Fund and DWS-SISC. The new transfer agency agreement is identical in substance to the previous transfer agency agreement for the Fund, except for the named transfer agent. Pursuant to a sub-transfer agency agreement between DWS-SISC and DST Systems, Inc. ("DST"), DWS-SISC has delegated certain transfer agent and dividend-paying agent paying function to DST. DWS-SISC compensates DST out of the shareholder servicing fee it receives from the Fund. For the y ear ended October 31, 2007, the amount charged to the Fund by DWS-SISC aggregated $28,788, of which $6,248 is unpaid.

For the period ended October 31, 2007, Deutsche Bank AG, the German parent of the Manager and Investment Adviser, and its affiliates received $2,275 in brokerage commissions as a result of executing agency transactions in portfolio securities on behalf of the Fund, that the Board determined were effected in compliance with the Fund's Rule 17e-1 procedures.

Certain Officers of the Fund are also officers of either the Manager or Deutsche Bank AG.

The Fund pays each Director not affiliated with the Manager retainer fees plus specified amounts for attended board and committee meetings.

On July 23, 2007, the Board approved the DWS Cash Management QP Trust (the "QP Trust") as the Fund's cash-sweep vehicle. The QP Trust is an affiliated unregistered fund managed by the Investment Manager. The QP Trust seeks to provide as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. The QP Trust does not pay the Investment Manager a management fee for the affiliated funds' investments in the QP Trust.

THE CENTRAL EUROPE AND RUSSIA FUND, INC.
NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2007 (continued)

NOTE 4. PORTFOLIO SECURITIES

Purchases and sales of investment securities, other than short-term investments, for the year ended October 31, 2007 were $289,380,247 and $335,416,145, respectively.

NOTE 5. INVESTING IN FOREIGN MARKETS

Foreign investments may involve certain considerations and risks not typically associated with those of domestic origin as a result of, among others, the possibility of political and economic developments and the level of governmental supervision and regulation of foreign securities markets. In addition, certain foreign markets may be substantially smaller, less developed, less liquid and more volatile than the major markets of the United States. For example, there are significant risks inherent in securities of Russian issuers that are not typically associated with securities of companies in more developed countries.

NOTE 6. CAPITAL AND RIGHTS OFFERING

During the years ended October 31, 2007 and October 31, 2006, the Fund purchased 47,900 and 0 of its shares of Common Stock on the open market at a total cost of $2,834,364 and 0, respectively. The weighted average discount of these purchased shares comparing the purchased price to the net asset value at the time of purchase was 12.19% and 0%, respectively. These shares are held in Treasury. During the years ended October 31, 2007 and October 31, 2006, the Fund reissued 792,411 and 388,226 shares held in treasury as part of the dividend reinvestment plan, respectively.

During January 2006, the Fund issued 3,417,070 shares of common stock in connection with a rights offering of the Fund's shares. Shareholders of record on December 22, 2005 were issued one transferable right for each share owned. The rights entitled the shareholders to purchase one new share of common stock for every three rights held. These shares were issued at a subscription price of $40.19. Net proceeds to the Fund were $131,742,212 after deducting the solicitation/dealer manager fees of $5,148,591 and expenses of $400,276. The net asset value per share of the Fund's common shareholders was reduced by approximately $3.25 per share as a result of the share issuance.

NOTE 7. SUBSEQUENT EVENT

On December 12, 2007 the Fund announced that its Board of Directors declared a distribution of $0.9477 per share payable from net investment income, $0.4648 per share payable from short-term capital gains and $8.8442 per share payable from long-term capital gains for a total distribution of $10.2567 payable, in stock (valued at the New York Stock exchange closing price on the payable date) with an option to receive cash.

The record date is December 21, 2007 and the payable date will be December 31, 2007. The shares will trade "exdividend" on December 19, 2007.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
The Central Europe and Russia Fund, Inc.

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of The Central Europe and Russia Fund, Inc. (the "Fund") at October 31, 2007, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial stat ements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at October 31, 2007 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
New York, NY
December 26, 2007

VOLUNTARY CASH PURCHASE PROGRAM AND DIVIDEND REINVESTMENT PLAN
(unaudited)

The Fund offers shareholders a Voluntary Cash Purchase Program and Dividend Reinvestment Plan ("Plan") which provides for optional cash purchases and for the automatic reinvestment of dividends and distributions payable by the Fund in additional Fund shares. A more complete description of the Plan is provided in the Plan brochure available from DWS Scudder Investments Service Company, the transfer agent (the "Transfer Agent"), P.O. Box 219066, Kansas City, Missouri 64105 (telephone 1-800-437-6269). Computershare, Inc.* (the "Plan Agent") acts as the plan agent under the Plan. A shareholder should read the Plan brochure carefully before enrolling in the Plan.

Under the Plan, participating shareholders ("Plan Participants") appoint the Transfer Agent to receive or invest Fund distributions as described below under "Reinvestment of Fund Shares." In addition, Plan Participants may make optional cash purchases through the Transfer Agent as often as once a month as described below under "Voluntary Cash Purchases." There is no charge to Plan Participants for participating in the Plan, although when shares are purchased under the Plan by the Plan Agent on the New York Stock Exchange or otherwise on the open market, each Plan Participant will pay a pro rata share of brokerage commissions incurred in connection with such purchases, as described below under "Reinvestment of Fund Shares" and "Voluntary Cash Purchases."

Reinvestment of Fund Shares. Whenever the Fund declares a capital gains distribution, an income dividend or a return of capital distribution payable, at the election of shareholders, either in cash or in Fund shares, or payable only in cash, the Transfer Agent shall automatically elect to receive Fund shares for the account of each Plan Participant.

Whenever the Fund declares a capital gains distribution, an income dividend or a return of capital distribution payable only in cash and the net asset value per share of the Fund's common stock equals or is less than the market price per share on the valuation date (the "Market Parity or Premium"), the Transfer Agent shall apply the amount of such dividend or distribution payable to a Plan Participant to the purchase from the Fund of Fund Shares for a Plan Participant's account, except that if the Fund does not offer shares for such purpose because it concludes Securities Act registration would be required and such registration cannot be timely effected or is not otherwise a cost-effective alternative for the Fund, then the Transfer Agent shall follow the procedure described in the next paragraph. The number of additional shares to be credited to a Plan Participant's acc ount shall be determined by dividing the dollar amount of the distribution payable to a Plan Participant by the net asset value per share of the Fund's common stock on the valuation date, or if the net asset value per share is less than 95% of the market price per share on such date, then by 95% of the market price per share. The valuation date will be the payable date for such dividend or distribution.

Whenever the Fund declares a capital gains distribution, an income dividend or a return of capital distribution payable only in cash and the net asset value per share of the Fund's common stock exceeds the market price per share on the valuation date (the "Market Discount"), the Plan Agent shall apply the amount of such dividend or distribution payable to a Plan Participant (less a Plan Participant's pro rata share of brokerage commissions incurred with respect to open-market purchases in connection with the reinvestment of such dividend or distribution) to the purchase on the open market of Fund shares for a Plan Participant's account. The valuation date will be the payable date for such dividend or distribution. Such purchases will be made on or shortly after the valuation date and in no event more than 30 days after such date except where temporary curtailment or suspension of purchase is necessary to comply with applicable provisions of federal securities laws.

The Transfer Agent or the Plan Agent may aggregate a Plan Participant's purchases with the purchases of other Plan Participants, and the average price (including brokerage commissions) of all shares purchased by the Plan Agent shall be the price per share allocable to each Plan Participant.

For all purposes of the Plan, the market price of the Fund's common stock on a payable date shall be the last sales price on the New York Stock Exchange on that date, or, if there is no sale on such Exchange (or, if different, the

VOLUNTARY CASH PURCHASE PROGRAM AND DIVIDEND REINVESTMENT PLAN (unaudited) (continued)

principal exchange for Fund shares) on that date, then the mean between the closing bid and asked quotations for such stock on such Exchange on such date. The net asset value per share of the Fund's common stock on a valuation date shall be as determined by or on behalf of the Fund.

The Transfer Agent may hold a Plan Participant's shares acquired pursuant to the Plan, together with the shares of other Plan Participants acquired pursuant to this Plan, in non-certificated form in the name of the Transfer Agent or that of a nominee. The Transfer Agent will forward to each Plan Participant any proxy solicitation material and will vote any shares so held for a Plan Participant only in accordance with the proxy returned by a Plan Participant to the Fund. Upon a Plan Participant's written request, the Transfer Agent will deliver to a Plan Participant, without charge, a certificate or certificates for the full shares held by the Transfer Agent.

Voluntary Cash Purchases. Plan Participants have the option of making investments in Fund shares through the Transfer Agent as often as once a month. Plan Participants may invest as little as $100 in any month and may invest up to $36,000 annually through the voluntary cash purchase feature of the Plan.

The Plan Agent shall apply such funds (less a Plan Participant's pro rata share of brokerage commissions or other costs, if any) to the purchase on the New York Stock Exchange (or, if different, on the principal exchange for Fund shares) or otherwise on the open market of Fund shares for such Plan Participant's account, regardless of whether there is a Market Parity or Premium or a Market Discount. The Plan Agent will purchase shares for Plan Participants on or about the 15th of each month. Cash payments received by the Transfer Agent less than five business days prior to a cash purchase investment date will be held by the Transfer Agent until the next month's investment date. Uninvested funds will not bear interest. Plan Participants may withdraw any voluntary cash payment by written notice received by the Transfer Agent not less than 48 hours before such payment is to be invested.

Enrollment and Withdrawal. Both current shareholders and first-time investors in the Fund are eligible to participate in the Plan. Current shareholders my join the Plan by either enrolling their shares with the Transfer Agent or by making an initial cash deposit of at least $250 with the Transfer Agent. First-time investors in the Fund may join the Plan by making an initial cash deposit of at least $250 with the Transfer Agent. In order to become a Plan Participant, shareholders must complete and sign the enrollment form included in the Plan brochure and return it, and, if applicable, an initial cash deposit of at least $250 directly to the Transfer Agent if shares are registered in their name. Shareholders who hold Fund shares in the name of a brokerage firm, bank or other nominee should contact such nominee to arrange for it to participate in the Plan on such shareholder's behalf.

If the Plan Participant elects to participate in the Plan by enrolling current shares owned by the Plan Participant with the Transfer Agent, participation in the dividend reinvestment feature of the Plan begins with the next dividend or capital gains distribution payable after the Transfer Agent receives the Plan Participant's written authorization, provided such authorization is received by the Transfer Agent prior to the record date for such dividend or distribution. If such authorization is received after such record date, the Plan Participant's participation in the dividend reinvestment feature of the Plan begins with the following dividend or distribution.

If the Plan Participant elects to participate in the Plan by making an initial cash deposit of at least $250 with the Transfer Agent, participation in the dividend reinvestment feature of the Plan begins with the next dividend or capital gains distribution payable after the Transfer Agent receives the Plan Participant's authorization and deposit, and after the Plan Agent purchases shares for the Plan Participant on the New York Stock Exchange (or, if different, on the principal exchange for Fund shares) or otherwise on the open market, provided that the authorization and deposit are received, and the purchases are made by the Plan Agent prior to the record date. If such authorization and deposit are received after the record date, or if the Plan Agent purchases

VOLUNTARY CASH PURCHASE PROGRAM AND DIVIDEND REINVESTMENT PLAN (unaudited) (continued)

shares for the Plan Participant after the record date, the Plan Participant's participation in the dividend reinvestment feature of the Plan begins with the following dividend or distribution.

A shareholder's written authorization and cash payment must be received by the Transfer Agent at least five business days in advance of the next cash purchase investment date (normally the 15th of every month) in order for the Plan Participant to participate in the voluntary cash purchase feature of the Plan in that month.

Plan Participants may withdraw from the Plan without charge by written notice to the Transfer Agent. Plan Participants who choose to withdraw may elect to receive stock certificates representing all of the full shares held by the Transfer Agent on their behalf, or to instruct the Transfer Agent to sell such full shares and distribute the proceeds, net of brokerage commissions, to such withdrawing Plan Participant. Withdrawing Plan Participants will receive a cash adjustment for the market value of any fractional shares held on their behalf at the time of termination. Withdrawal will be effective immediately with respect to distributions with a record date not less than 10 days later than receipt of such written notice by the Transfer Agent.

Amendment and Termination of Plan. The Plan may only be amended or supplemented by the Fund or by the Transfer Agent by giving each Plan Participant written notice at least 90 days prior to the effective date of such amendment or supplement, except that such notice period may be shortened when necessary or appropriate in order to comply with applicable law or the rules or policies of the Securities and Exchange Commission or any other regulatory body.

The Plan may be terminated by the Fund or by the Transfer Agent by written notice mailed to each Plan Participant. Such termination will be effective with respect to all distributions with a record date at least 90 days after the mailing of such written notice to the Plan Participants.

Federal Income Tax Implications of Reinvestment of Fund Shares. Reinvestment of Fund shares does not relieve Plan Participants from any income tax which may be payable on dividends or distributions. For U.S. federal income tax purposes, when the Fund issues shares representing an income dividend or a capital gains dividend, a Participant will include in income the fair market value of the shares received as of the payment date, which will be ordinary dividend income or capital gains, as the case may be. The shares will have a tax basis equal to such fair market value, and the holding period for the shares will begin on the day after the date of distribution. If shares are purchased on the open market by the Plan Agent, a Plan Participant will include in income the amount of the cash pay ment made. The basis of such shares will be the purchase price of the shares, and the holding period for the shares will begin on the day following the date of purchase. State, local and foreign taxes may also be applicable.

* Effective October 15, 2007, the stock transfer business of UMB Bank, N.A. had been acquired by Computershare Limited. Consequently, Computershare Limited's affiliate, Computershare Inc., became Plan Agent under the Plan Agency Agreement.

THE CENTRAL EUROPE AND RUSSIA FUND, INC.
REPORT OF SHAREHOLDERS' MEETING (unaudited)

The Annual Meeting of Shareholders of The Central Europe and Russia Fund, Inc. was held on June 25, 2007. At the Meeting, the following matters were voted upon by the stockholders (the resulting votes are presented below):

1. To elect three Directors to serve for a term of three years until their successors are elected and qualify.

	Number of Votes	
	For	**Withheld**
Detlef Bierbaum	9,950,112	1,767,361
Richard R. Burt	10,065,036	1,652,437
John H. Cannon	10,052,882	1,664,591

2. To ratify the appointment by the Audit Committee and the Board of Directors of PricewaterhouseCoopers LLP as independent registered public accounting firm for the fiscal year ending October 31, 2007.

Number of Votes		
For	**Against**	**Abstain**
11,571,827	55,704	30,781

2007 U.S. TAX INFORMATION (unaudited)

The Fund paid distributions of $2.99 per share from net long-term capital gains during its year ended October 31, 2007, of which 100% represents 15% rate gains.

The Fund paid foreign taxes of $2,276,882 and earned $10,765,101 of foreign source income year during the year ended October 31, 2007. Pursuant to section 853 of the Internal Revenue Code, the Fund designates $.15 per share as foreign taxes paid and $.73 per share as income earned from foreign sources for the year ended October 31, 2007.

For Federal income tax purposes, the Fund designates $15,011,000, or the maximum amount allowable under tax law, as qualified dividend income.

Pursuant to Section 852 of the Internal Revenue Code, the Fund designates $143,236,000 as capital gain dividends for its year ended October 31, 2007, of which 100% represents 15% rate gains.

**INVESTMENT MANAGEMENT AGREEMENT AND
INVESTMENT ADVISORY AGREEMENT APPROVAL**

The Fund's directors unanimously approved the continuance of the management agreement between the Fund and Deutsche Investment Management Americas Inc. ("DIMA") and the investment advisory agreement between the Fund and Deutsche Asset Management International GmbH ("DeAMI") (together called the "agreements") at a meeting held on July 23, 2007.

In preparation for the meeting, the directors had requested and evaluated extensive materials from DIMA and DeAMI, including performance and expense information for other investment companies with similar investment objectives derived from data compiled by Lipper Inc. ("Lipper"). Prior to voting, the directors reviewed the proposed continuance of the agreements with management and with experienced counsel who are independent of DIMA and DeAMI and received a memorandum from such counsel discussing the legal standards for their consideration of the proposed continuance. The directors also discussed the proposed continuance in a private session with counsel at which no representatives of DIMA or DeAMI were present. In reaching their determination relating to continuance of the agreements, the directors considered all factors they believed relevant, including the following:

1. information comparing the Fund's performance to other investment companies with similar investment objectives and to an index;

2. the nature, extent and quality of investment and administrative services rendered by DIMA and DeAMI;

3. payments received by DIMA and DeAMI from all sources in respect to the Fund and all investment companies in the DWS Scudder family of funds;

4. the costs borne by, and profitability of, DIMA and DeAMI and their affiliates in providing services to the Fund and to all investment companies in the DWS Scudder family of funds;

5. comparative fee and expense data for the Fund and other investment companies with similar investment objectives;

6. the extent to which economies of scale would be realized as the Fund grows and whether fee levels reflect these economies of scale for the benefit of investors;

7. DIMA's and DeAMI's policies and practices regarding allocation of the Fund's portfolio transactions, including the extent, if any, to which DIMA and DeAMI benefit from soft dollar arrangements;

8. the Fund's portfolio turnover rates compared to those of other investment companies with similar investment objectives;

9. fall-out benefits which DIMA, DeAMI and their affiliates receive from their relationships with the Fund;

10. the professional experience and qualifications of the Fund's portfolio management team and other senior personnel of DIMA and DeAMI; and

11. the terms of the agreements.

The directors also considered their knowledge of the nature and quality of the services provided by DIMA and DeAMI to the Fund gained from their experience as directors of the European Equity Fund and, where relevant, the New Germany Fund and other DWS Scudder funds, their confidence in DIMA's and DeAMI's integrity and competence gained from that experience and DIMA's and DeAMI's responsiveness to concerns raised by them in the past, including DIMA's and DeAMI's willingness to consider and implement organizational and operational changes designed to improve investment results and the services provided to the Fund.

In their deliberations, the directors did not identify any particular information that was all-important or controlling, and each director attributed different weights to the various factors.

The directors determined that the overall arrangements between the Fund and DIMA, as provided in the management agreement, and between the Fund and DeAMI, as provided in the investment advisory agreement, were fair and reasonable in light of the services performed, expenses

INVESTMENT MANAGEMENT AGREEMENT AND
INVESTMENT ADVISORY AGREEMENT APPROVAL (continued)

incurred and such other matters as the directors considered relevant in the exercise of their reasonable judgment.

The material factors and conclusions that formed the basis for the directors' reaching their determination to approve the continuance of the agreements (including their determinations that DIMA and DeAMI should continue in those roles for the Fund, and that the fees payable to DIMA and DeAMI pursuant to the agreements are appropriate) were separately discussed by the directors.

Nature, extent and quality of services provided by DIMA and DeAMI

The directors noted that, under the management agreement, DIMA acts as the Fund's corporate manager and administrator and, subject to the supervision of the Fund's board of directors and pursuant to recommendations made by DeAMI, determines suitable securities for investment by the Fund. Under the investment advisory agreement, DeAMI, in accordance with the Fund's investment objectives, policies and limitations, makes recommendations with respect to the Fund's investments and, upon instructions given by DIMA as to suitable securities for investment by us, transmits purchase and sale orders and selects brokers and dealers to execute portfolio transactions on the Fund's behalf. Under the management agreement, DIMA also handles the Fund's relationships with shareholders, is responsible for compliance with regulatory and NYSE listing requirements, negotiates arrangements with third party service providers, provides the Fund's directors with rele vant reports, prepares the Fund's tax returns and SEC and shareholder reports, calculates dividends and net asset value, oversees payment of the Fund's expenses and maintains books and records. DIMA also provides the Fund with such office facilities and executive and other personnel adequate to perform its services. DIMA pays all of the compensation of the Fund's directors and officers who are interested persons of DIMA.

The directors considered the scope and quality of services provided by DIMA and DeAMI under the agreements and noted that the scope of services provided had expanded over time as a result of regulatory and other developments. The directors noted that, for example, DIMA is responsible for maintaining and monitoring its own and the Fund's compliance programs, and these compliance programs have in recent years been refined and enhanced in light of evolving regulatory requirements. The directors considered the quality of the investment research capabilities of DIMA and DeAMI and the other resources they have dedicated to performing services for the Fund. The quality of administrative and other services, including DIMA's role in coordinating the activities of the Fund's other service providers, also were considered. The directors concluded that, overall, they were satisfied w ith the nature, extent and quality of services provided (and expected to be provided) to the Fund under the agreements.

Costs of Services Provided and Profitability to DIMA and DeAMI

At the request of the directors, DIMA provided information concerning profitability of DIMA's and DeAMI's respective investment advisory and investment company activities and their financial condition based on historical information for 2005 and 2006. The directors reviewed with DIMA assumptions and methods of allocation used by DIMA and DeAMI in preparing Fund specific profitability data. DIMA stated its belief that the methods of allocation used were reasonable, but it noted that there are limitations inherent in allocating costs to multiple individual advisory clients served by an organization such as DIMA and DeAMI where each of the advisory clients draws on, and benefits from, the research and other resources of the Deutsche Bank organization. The directors recognized that it is difficult to make comparisons of profitability from fund management contracts because comparative information is not generally publicly available and is affecte d by numerous factors, including the structure of the particular adviser, the types of funds it manages, its business mix, numerous assumptions regarding allocations and the adviser's capital structure and cost of capital. In considering profitability information, the directors considered the effect of possible fall-out benefits, on DIMA's and DeAMI's expenses, including any affiliated brokerage commissions.

The directors noted that during 2003 and 2004 DIMA discontinued using soft dollars to receive third party research

**INVESTMENT MANAGEMENT AGREEMENT AND
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from brokers that execute purchases and sales of securities for us, and revised their policies to prohibit consideration of the sale of shares of DWS Scudder funds when selecting broker dealers to execute portfolio transactions for the Fund or other DWS Scudder funds. DIMA and DeAMI may continue to allocate brokerage to receive research generated by executing brokers and to receive other information services.

The directors recognized that DIMA and DeAMI should, in the abstract, each be entitled to earn a reasonable level of profits for the services it provides to us and, based on their review, concluded that DIMA's and DeAMI's levels of profitability from their relationships with us were not excessive.

Investment Results

In addition to the information received by the directors for the meeting, the directors receive detailed performance information for the Fund at each regular board meeting during the year. The directors reviewed information showing the Fund's performance compared to that of other European Closed End Funds compiled by Lipper (a total of 8 funds, including us). The directors also reviewed information showing performance of the Fund's benchmark index, currently a blend of 45% CECE index of 27 Central European stocks, 45% RTX index of 12 Russian stocks and 10% ISE 30 index of 30 Turkish stocks.

The comparative information showed that the Fund ranked in the top half for the one-, three- , five- and 10- year periods ended December 31, 2006. The Fund's results were significantly positive in absolute terms, and exceeded its benchmark each year since 2000. (Comparisons prior to 1998 are not meaningful because until then the Fund had a purely German focus.) Taking into account these comparisons and the other factors considered, including the excellent performance since the Fund's increased emphasis on Russian investments that began in mid-2003, the directors concluded that the Fund's investment results over time were satisfactory.

Management and Investment Advisory Fees and Other Expenses

The directors considered the management and investment advisory fee rates paid by the Fund to DIMA and DeAMI. The directors recognized that it is difficult to make comparisons of management and advisory fees because there are variations in the services that are included in the fees paid by other funds. The Fund's expense comparison group consisted of 33 closed end country funds. The information showed that the Fund's current effective management fee rate of 0.806% was in the lowest third of the comparison group and below the average and the median for the comparison group. The directors noted that