

'R YE, M AN & G OR Securities'

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Fax # (095) 267 5300, (501) 258 6226. Phone # (501) 258 6262.

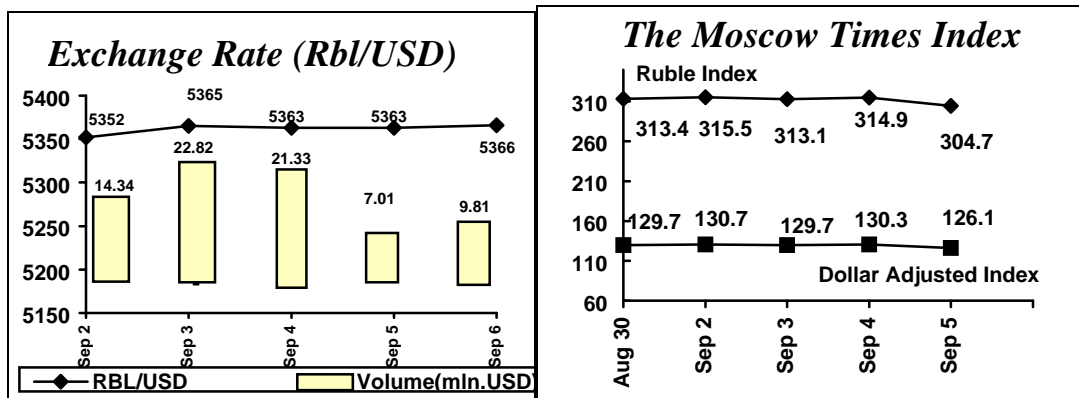
Political News

President Boris Yeltsin said in his televised interview Thursday that he has a heart condition and will undergo a heart surgery at the end of September. Reuters quoted a Kremlin source as saying that **Yeltsin would require bypass surgery**. Itar-Tass announced on Friday that during Yeltsin's medical incapacitation, Prime Minister Viktor Chernomyrdin would manage the government.

Security Council Secretary Alexander Lebed met with Prime Minister Viktor Chernomyrdin in order to discuss a new **Chechen peace agreement** that he signed last week. Chernomyrdin expressed his support for the document. On Thursday President Boris Yeltsin said that he fully supports the agreement but criticized Lebed for being too hasty in

withdrawing Russian troops from Chechnya. The agreement signed by Lebed delays resolution of the issue of Chechnya's political status for five years. The document also calls for the establishment of a joint commission, which will have the following responsibilities: monitoring the complete withdrawal of Russian troops and coordinating steps in fighting crime and terrorism in the region, working out proposals on financial relations between Russia and Chechnya as well as a program for the social and economic recovery in the region, etc. Prime Minister Viktor Chernomyrdin said that "the agreements signed by Lebed cause some concern but on the whole we consider them right."

Economic News



Chairman of the State Duma Budget Committee Mikhail Zadornov said that the **1997 draft budget** was submitted to the lower house of the Russian Parliament on August 31st and will be considered by the Duma on October 10th. Interfax reported that the final version of 1997 Russian draft budget projects revenues of 433.6 trillion rubles (\$80.9 billion), expenditures of 524.3 trillion rubles (\$97.8 billion) and a deficit of 90.7 trillion rubles (\$16.9 billion). The document forecasts annual inflation of 9.5 percent, a budget deficit of 3.3 percent of Gross Domestic Product and sets a target of bringing commercial interest rates to 20 to 25 percent down from near 100 percent.

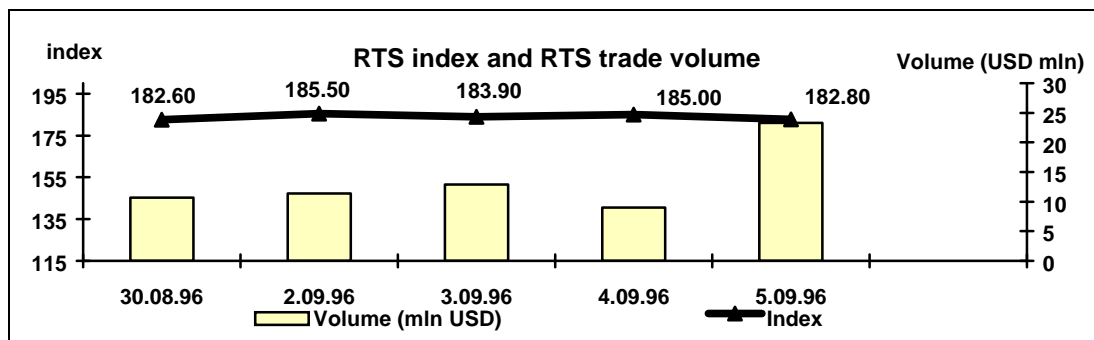
The State Statistics Committee said that **consumer prices fell 0.2 percent in August**, which was caused by a 1.7 percent fall in food prices last month. Head of inflation statistics at the State Statistics Committee Irina Goryacheva said that **monthly inflation in August was expected to hit an all-time-low of zero percent**.

First Deputy Prime Minister Vladimir Potanin said that the government is sticking to its target of raising more than \$2 billion from **privatization auctions** in 1996. According to Potanin, no attempt will be made to reverse the results of last year's loans-for-shares auctions.

Interfax quoted Head of Presidential Administration Anatoly Chubais as saying that a recent **decree which introduced a charge on the bank transactions of individuals** was a "mistake" that would need correction. The decree was harshly criticized by general public and representatives of Russian private businesses.

According to Chairman of the Russian Union of Gold Producers Valery Braiko, in the first seven months of 1996 **Russian gold production** amounted to 60 tonnes compared with 74 tonnes last year. Production could fall some 20 percent this year, Braiko said, if the government does not allow free trade in gold on the domestic market.

Company News



'Surgutneftegas' produced 2,849.6 thousand tonnes of oil in July 1996. In August production grew to 2,856.3 thousand tonnes. The volume of drilling in July totaled 139,382 meters. 24 new drilling wells were put into operation since the beginning of this year above the planned amount; the company plans to start using 52 new drilling wells in August.

'Surgutneftegas' obtained exemption under rule 12g3-2(b) with the US Securities and Exchanges Commission (SEC). Rule 12g3-2(b), which provides an exemption from the reporting requirements under Exchange Act for non-American private issuers that furnish the SEC material information that they publicly file or publish pursuant to law or stock exchange requirements or that they distribute to their security holders. After 'Surgutneftegas' files the Deposit Agreement and registers their ADRs with the SEC, issuance and **trading of ADRs** may commence.

Moscow arbitration court ruled that 'Purneftegas' JSC would stay at 'Rosneft'. 'Purneftegas' has long been an object of a corporate struggle between 'Rosneft' and 'Sidanko'. 'Purneftegas' possesses large oil reserves and produced over eight million tonnes of crude oil last year.

According to 'LUKoil Permneft', its' balance profit in the first half of this year amounted to 211 billion rubles with net profit totaling 106 billion rubles. The company did not delay any salary payments during the last eight months. In the first seven months of 1996 'LUKoil Permneft'

produced 4,382 thousand tonnes. The company expects to increase oil production by 332 thousand tonnes per year after it starts developing new oil fields from 1996 - 1998.

An investment tender for a 19 percent stake in the **Siberian Oil Company** ('Sibneft') will be held on September 19th. The starting price for the block consisting of 858.12 million shares of 'Sibneft', amounts to 82.38 billion rubles (\$15.4 million). The winner of the auction must agree to invest the ruble equivalent of at least \$43.48 million in the company and pay off 'Sibneft's debts of 14 billion rubles to the budget.

President of state pipeline monopoly 'Transneft' Valery Chernyaev said that the company plans to distribute 25 percent of its shares presently held by the state to 'Transneft' current and former employees, while the remaining stake would be retained by the state. The 76,568 past and present company's employees will have possibility to sell their non-voting preferred shares on the secondary market, but according to Chernyaev 'Transneft' would seek to buy shares back from them.

The twenty first **auction of 'Gazprom' shares** was held on the 29th of August. 40 lots of 250 thousand shares were auctioned at a starting price of 2,746 rubles per share. Minimum price at the auction amounted to 2,840 rubles, maximum price - to 2,998 rubles and average price totaled 2,901.48 rubles (\$0.54) per share. 10 million shares of 'Gazprom' (0.042 percent of Charter Capital) were sold and the volume traded amounting to 29,014,750 thousand rubles. The twenty second auction of 'Gazprom' shares was held on the 5th of

September. 40 lots of 250 thousand shares were auctioned at a starting price of 2,746 rubles per share. Minimum price at the auction amounted to 2,800 rubles, maximum price - to 2,998 rubles and average price totaled 2,902.05 rubles (\$0.54) per share. 10 million shares of 'Gazprom' (0.042 percent of Charter Capital) were sold and the volume traded amounting to 29,020,500 thousand rubles.

'Gazprom' plans to solicit foreign investors for Global and American Depositary Receipts, board member Alexander Semenyaka said. Semenyaka also said the paper will be sold in tranches, declining to say when.

'Rostelecom' reported that in the first half of this year its balance profit amounted to 1,468.1 billion rubles compared with 664.2 billion rubles last year. In the same period the company's sales proceeds totaled 3,184.2 billion rubles compared with 1,256.3 billion last year.

S. Petersburg Telephone balance profit in the first six months of this year amounted to 168.804 billion rubles, compared with 90,423 billion rubles last year. Sales proceeds grew to 414,915 billion rubles from 207,237 billion in the same period of the previous year.

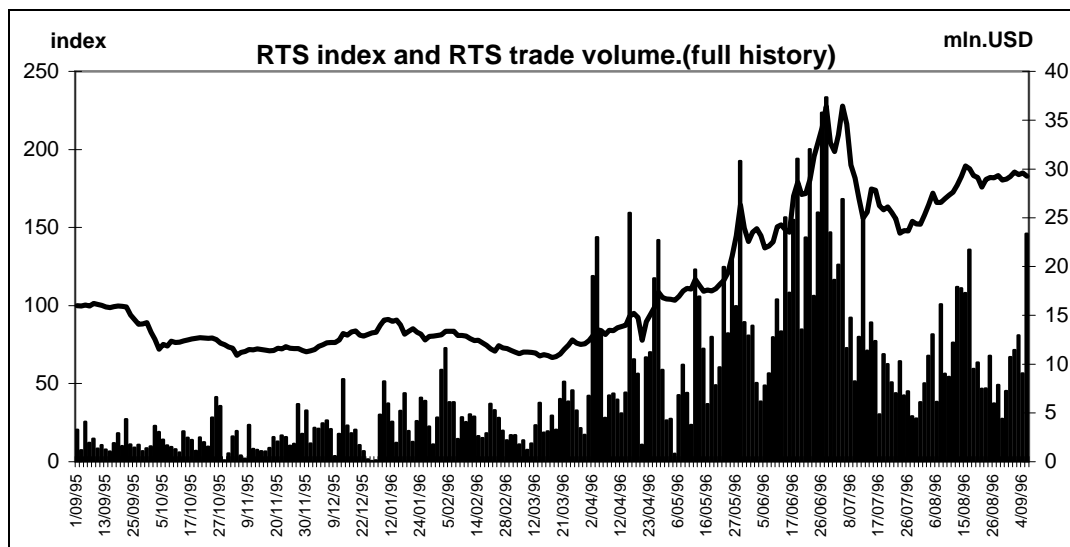
'LOMO' ran losses of 3.1 billion rubles in the first half of this year. The company's profit

in the same period of the previous year amounted to 15.8 billion rubles. Sales proceeds amounted to 66.4 billion rubles compared with 56.9 billion last year.

The Seversky Tube Works board of directors meeting was held on the 29th of August. At the meeting it was reported that the company's balance profit in the first six months of this year amounted to 79.8 billion rubles, 40 percent more than in the same period of the previous year. Production grew 2.9 percent compared with 1995 level, sales went up 1.5 times.

The Registration Center of the Bratsk Region Administration refused to register new 'Bratsk Alluminium' Charter because it does not comply with the new law on Joint Stock Companies. The company will have to hold new shareholders' meeting to make amendments to the Charter.

At the Kachkanar Ore Processing Plant board of directors meeting, held on the 28th of August, financial performance of the company in the first half of this year was discussed. The company's sales proceeds amounted to 750 billion rubles, balance profit - to 28 billion rubles and net profit - to 12 billion rubles. The plant produced 3,580 thousand tonnes of ore.



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