RMG
RYE, MAN & GOR SECURITIES

MARKET WEEKLY

 # 339 - 17 August 2001

Market Wrap

The RTS had a thin and unsettled week, falling 1.13% to 192.01 as anxieties over the US economy and Argentina were offset by high oil prices. Tension was compounded by uncertainty how major world markets will react if the Federal Reserve cuts rates once again on Monday, August 21.

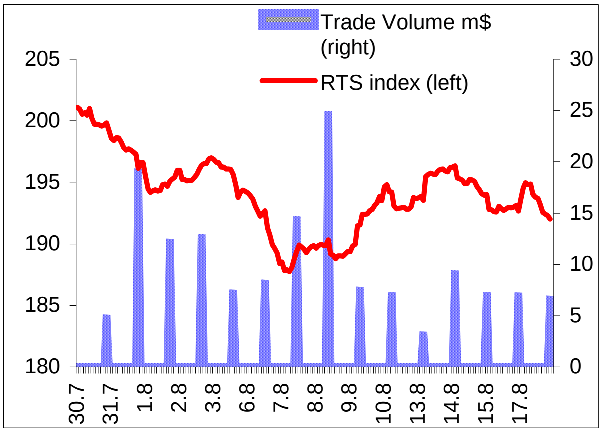
The nervousness came to a head on Thursday after the US showed yet another monthly decline in industrial output for July and the IMF said that the dollar deserves to drop in light of the US trade deficit. But a raft of more encouraging figures on US inflation and employment calmed fears on Friday, and Argentina stepped back from the abyss, refusing to repeat Russia's catastrophe on the third anniversary of August 17, 1998.

The situation on international markets overshadowed Russian corporate news, although there was some interest in Lukoil's long-awaited release of GAAP accounts for 2000 and publication of Gazprom first-half results under Russian accounting standards. But the Lukoil results held no surprises and the stock showed a marked decline for the week, with falls of 3.7% for commons and 4.1% for prefs. The Gazprom figures were upbeat and promoted a 4% rise in the share price Tuesday.

UES recovered its position as most-traded stock, taking 35.4% of volumes, but showed a 2.1% price decline, followed by Mosenergo which dropped 1.3%. UES prefs moved the other way, adding 3.2%. Rostelecom bumped down one more notch, falling 2.2%.

The oil sector (except Lukoil) was the only source of growth. Surgut rose by 0.4% for commons and 0.8% for prefs, while Sibneft had a strong week, gaining 2.5%.

RTS Index & Volume



Key Figures

RTS Index	216.1	-5.2%
RTS Volume	$124.0m	-26.6%
Ruble / Dollar	29.07	0.1%
Inflation (10-18 June)		0.3%
Russia's Intl Reserves		$34.7b

Key Figures are weekly data Fri-Fri.

Top Volumes ($m)

RAO UES com	14.4	32.1%
Lukoil com	5.9	13.2%
Yukos com	5.0	11.1%
Surgutneftegaz com	4.6	10.3%
Norilsk Nickel com	3.9	8.8%
Tatneft com	2.2	4.8%
Mosenergo com	2.1	4.6%
Total (Top 7)	38.1	84.9%

Winners

TsUM com	+121.2%
Autovaz pref	+49.0%
Autovaz com	+29.2%
Megionneftegaz com	+11.2%
Megionneftegaz pref	+8.0%
Norilsk Nickel com	+2.0%

Losers

Volgogradenergo com	-29.1%
Mosenergo com	-17.0%
Rostelecom com	-13.8%
RAO UES com	-10.9%
RAO UES pref	-8.7%
Tatneft com	-7.1%

Sector Statistics

Sector Name	Volume$	Change	% of Total Volume	MC$'000	Change	% of Total MC
Oil & Gas	19,856,096	-41.48%	44.19%	30,874,010	-3.47%	63.98%
Power Utilities	17,048,471	-22.95%	37.94%	7,473,079	-9.63%	15.49%
Non Ferrous Metals	4,398,025	-56.67%	9.79%	3,299,316	1.51%	6.84%
Telecom	2,328,949	267.75%	5.18%	2,559,209	-5.92%	5.30%
Banking	446,015	197.73%	0.99%	532,209	-3.95%	1.10%
Automotive	387,958	n/m	0.86%	589,572	11.59%	1.22%
Ferrous Metals	366,283	-51.79%	0.82%	1,155,216	-3.98%	2.39%
Engineering	74,840	41.47%	0.17%	290,967	-5.95%	0.60%
Consumer / Retail	28,200	n/m	0.06%	309,552	7.30%	0.64%
Transportation	n/m	n/m	n/m	381,005	-3.19%	0.79%
Other	n/m	n/m	n/m	790,993	-31.52%	1.64%
Total	**44,934,837**	**-33.73%**	**100.00%**	**48,255,128**	**-3.57%**	**100.00%**

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Viewpoint: Cellular roll out is another argument for forgotten regional telecoms

Last week saw a number of fast moves by Russia's leading cellular operators to prepare for battle in Russia's provinces where mobile penetration is still tiny compared to Moscow. The top cellular stock, MTS (quoted in New York, but not on the RTS) acquired small operators in the Urals, Siberia and the Far East, while the Petersburg group, Telecominvest (unquoted as yet), announced creation of a Russia-wide mobile operator.

This may seem irrelevant to RTS investors, but it actually has a lot of relevance to a forgotten corner of the RTS, which ought to spring to life sometime soon. We are thinking, of course, of the regional electrosvyaz stocks, which have been dormant almost since the 1998 crisis, but are now set to acquire liquidity and revaluation thanks to regional mergers organized by the Svyazinvest holding.

Success of the reorganization is going to depend on ability of Svyazinvest and the Communications Ministry to secure local tariff increases, ending the situation where you can talk 24 hours a day every day for $2 dollars a month, contributing to the ruin of your regional telecom company (Moscow is the best example, where populist mayor Yury Luzhkov continues to hold MGTS tariffs at $2m, after stripping MTS out of the company).

The point is that tariff reform will work by introduction of time based charging, due countrywide by the end of next year. And with time based charging it will be possible to end the current situation where fixed-to-mobile calls are charged to the mobile respondent. This may sound a minor detail, but it is not – such charging will probably account for up to 25% of revenues of the regional fixed telecom companies as the national cellular roll-out goes ahead. Another reason to wonder if current illiquidity could be a price worth paying to be in the regional stocks when the changes start to take effect.

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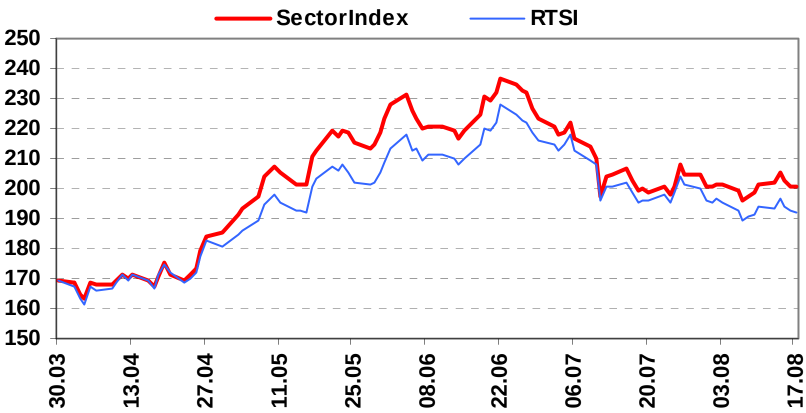
Oil & Gas Index vs. RTS Index



Oil & Gas Key Figures

Indicator	Value	Wk Change
Urals ($/b)	23.29	-4.3%
Brent ($/b)	24.73	-4.8%
OIX (CBOE oil index)	322.43	1.3%
Dow Jones Oil & Gas Index	244.35	1.8%
US crude inventory change (API data) m barrels	305.8	-0.9%
US gasoline inventory change (API data) m barrels	204.6	-2.8%
Tatneft ADR	9.58	0.3%
Lukoil ADR	42.75	-3.4%
Surgutneftegaz ADR	12.1	2.5%
Yukos ADR	50.25	1.5%

Sector Wrap

- Sibneft BoD announced on Friday sensational interim dividends of 12 cents per share for 3Q 2001. The dividend pool of $612m is the largest sum ever allocated by a Russian company and provides a payout of 90% of 2000 GAAP profit. The dividends provide yield of 30% per share, however, only for shareholders registered before August 3. The news fell on deaf ears and sparked only a short-lived rally in Sibneft stocks. We expect that the company will continue to allocate high, albeit not record dividends for investors, which may provide them with a dividend yield of at least 5% per common at the current price of just above 40 cents. We also do not view the huge dividend payout as an exit strategy of Sibneft owners as it is almost impossible to reinvest three to four billion USD and get the same return on equity exceeding 20%. Thus, the payout is a sign that Sibneft core shareholders will be committed to the increase of the company's value in the long-term.
- Lukoil finally published its GAAP statements for FY2000 after the company postponed the release several times during the year. The long-awaited accounts failed to impress the market although financial and operational results were positive overall. The company also confirmed that the government will sell its 6% stake in December through level-3 ADR on London Stock Exchange in December 2001.
- Tatneft posted 1H 2001 RAS accounts which were in generally line with expectations though the company has revised downwards 1H 2000 results and thus provided a confusing ground for comparison.The company also announced that it might issue $300m in Eurobonds to refinance those maturing in April 2002. We consider this to be positive news as the company is willing to keep its capex at an annual level of around $500m.
- Gazprom also published 1H 2001 RAS statements reflecting the higher natural gas prices in Europe. However, the company shares are now affected solely by news on Gazprom stock market liberalization and industry restructuring.
- According to Energy Minister Igor Yusufov, Russian oil production in 2001 will increase by 7% to 325 million tonnes (6.5 mbpd). Mr. Yusufov also indicated that Russia is not willing to coordinate its crude export with OPEC at its regular summit on September 26.

Sector Statistics

Issue	Issue RTS Code	Mid Market Price, $	Weekly Change, %	Weekly Volume, $mln	Market Cap, $mln	52 week Low, $	52 week High, $	P/S 00	P/E 00
LUKoil	**LKOH**	10.700	-2.37	6.72	8709.15	8.00	16.64	0.55	2.31
LUKoil pref.	**LKOHP**	10.475	-3.68	0.14		8.10	13.77		
Megionneftegaz	**MFGS**	2.675	0.00		310.56	1.50	2.75	1.41	0.47
Megionneftegaz pref.	**MFGSP**	1.345	5.49	0.01		0.35	1.30		
Sakhalinmorneftegaz	**SKGZ**	3.475	-8.55	0.03	241.27	1.60	4.90	0.58	2.50
Sakhalinmorneftegaz pref.	**SKGZP**	1.400	0.00			0.56	1.74		
SIBNEFT	**SIBN**	0.420	4.41	2.00	1992.53	0.24	0.46	0.85	2.95
Surgutneftegaz	**SNGS**	0.241	0.63	1.64	9624.94	0.18	0.40	1.54	3.77
Surgutneftegaz pref.	**SNGSP**	0.134	1.98	1.32		0.08	0.16		
Tatneft	**TATN**	0.479	-1.08	3.34	1082.67	0.32	0.68	0.28	1.26
Tatneft pref.	**TATNP**	0.261	-0.48	0.02		0.17	0.30		
Udmurtneft	**UDMN**	36.000	-10.00		124.89	17.00	32.00	0.25	1.11
Udmurtneft pref.	**UDMNP**	32.250	-0.77			15.29	33.79		
Yukos	**YUKO**	3.335	1.21	1.76	7460.37	1.33	3.91	0.88	2.23

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Sibneft announces record dividend payments, may consolidate its profit centers

According to company officials, Sibneft will pay interim dividends of R3.79 per share for 3Q 2001 (12 cents at 30 R/$). The dividend pool totals $600m, which is an all-time record payout for a Russian oil company, and represents an extraordinary amount compared with Sibneft GAAP net profit for FY 2000 of $675m. The decision on the dividend payments was made at a BoD meeting on July 16.

Dividend payments will begin on September 17, 2001, to shareholders registered before August 3, 2001. This dividend decision follows the company's first dividend of R0.3 (1.1 cents at 28 R/$) per share announced in October 2000.

In a conference call, Eugene Tenenbaum, an advisor to the Sibneft president, said that the point of paying out such a huge sum is to provide tangible evidence of commitment to growth of shareholder value. Since 82% of Sibneft equity is owned by management, including 38% owned by Kremlin insider Roman Abramovich, it is clear that the management could find other ways to capitalize on their majority stake (like retention of profit in off-shore trading companies) instead of paying out dividends. The payouts imply allocation of around 12% share of profit to minority shareholders and 30% corporate tax.

The payments also imply that Sibneft is going to show net profit for 3Q 2001 in excess of $600m under RAS standards as dividends on common shares are paid from net profit of the company for the respective period. This in turn means that the company will reveal its consolidated profit to the Russian tax authorities as dividends on common shares are paid from the net profit for the corresponding period. For 1H2001 Sibneft RAS profit was only $27m.

Thus, the only way to show the true profit of a group is to consolidate the assets representing its profit centers. The parallel acquisition of two oil-trading companies, decided at the Sibneft EGM (held via postal vote) on July 17, by a share swap for 4000 Sibneft shares is the most probable way, in which the company will show consolidated profit for 3Q 2001 in excess of $600m.

We view this event as a major positive sign for Sibneft shareholders. The company has announced that it "intends to pay dividends on an annual basis, returning an average of at least 15% of net income to shareholders over the long-term earnings cycle". Though, we consider these huge dividends as a one-off event, it is very likely that the company is really going to increase its value and is going to pay out the promised dividends, which may provide for 5% dividend yield at a share price of around 40 cents.

Lukoil finally posts 2000 GAAP results

On July 14 Lukoil finally published its GAAP statements for FY2000 after the company postponed the release several times during the year. The long-awaited accounts failed to impress the market although financial and operational results were positive overall. The company also pledged to begin publishing GAAP quarterly accounts in October 2001.

Except for Surgutneftegaz, Lukoil is the last Russian oil major to begin publishing yearly statements audited to US standards and release of 2000 accounts was commonly viewed as a major market-moving event for the company. Firstly, it opens the way for an issue of Level-3 ADRs, which is conditional on presentation of three latest GAAP yearly statements. Lukoil plans to issue Level-3 ADRs by the year-end. Secondly, accounts audited to US standards were expected to put an end to allegations of possible wrongdoing by management.

The published accounts show that net sales increased by 80% compared to average 65% increase of export crude prices. Net margin increased by 34% compared with the previous reporting period to 31%. Net profit totaled $3.312bn and more than tripled compared with 1999.

Lukoil 2000 results (GAAP)

	FY 2000	FY 1999	Change
Net sales ($bn)	13,240	7,376	80%
Operating profit ($bn)	4,062	1,692	140%
Pre-tax profit ($bn)	3,863	1,249	209%
Net profit ($bn)	3,312	1,062	212%
EPS ($bn)	4.83	1.69	186%
Operating margin	31%	23%	34%
Net margin	25%	14%	74%

Source: Company data, RMG estimates

Revenues above growth of export crude prices are due to higher domestic prices and effective retail and marketing strategy. Growing profitability at the operational level is an encouraging sign of

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managerial efforts to improve efficiency. We will await 1Q 2001 statements to see whether the company is able to preserve the efficiency improvement on a backdrop of falling oil prices.

The 74% increase in the bottom line is partially the result of tax minimization practices, which may not be repeated under new streamlined tax regime to be enforced from January 1, 2002.

The company's vice-president Leonid Fedun pledged that financial results for 2001 will stay at the level of last year and confirmed that the company's dividend policy will not change and the dividend payout will keep growing. In a cautious scenario of unchanged 11.8% payout ratio, dividends per common share for 2001 would total 47 cents translating into 4.3% dividend yield at $11 per share as prefs, which took almost 40% of Lukoil's dividend pool, will be converted into commons by December this year.

Lukoil production grew only by modest 2.8% to 1.6 mbpd compared with average growth in the industry of 6.5% in 2000. The company remains the leader in terms of capex volumes and invested around $1.9bn in upstream and downstream activity. Investments in Timano-Pechora oil fields are designed to boost Lukoil's output in three-years time.

Lukoil confirms placement of 6% of its shares in December but may postpone issue of convertibles

Presenting 2000 GAAP results Lukoil vice-president Leonid Fedun confirmed that 6% of the company (around 50 million shares), from the government stake, is scheduled to be placed on the London Stock Exchange in December this year in the form of Level-3 ADRs. Earlier the placement was to be placed in New-York but in July Lukoil said that listing on NYSE could potentially collide with the US SEC due to the company's activity in Iraq and Sudan.

However, Fedun said that listing on NYSE is still among company priorities as it will allow improvement of the quality of Lukoil's investor base, which is important for planned long-term equity finance.

Separately, the Russian FSC announced that it has registered the issue of 16.5 million Lukoil common shares, representing around 2% of equity capital. The new shares will hedge the planned issue of convertible bonds.

The shares will be bought back by the company or the convertible underwriter (not yet chosen) and will not provide excessive liquidity in the market. We also believe that selling of the government stake is being coordinated with Lukoil and will not take place in adverse market conditions. Thus, we view fears of supply overhang of Lukoil shares as mainly unjustified.

Company representatives said that the bond placement would not necessarily take place in parallel with selling of the government stake as had been suggested earlier. According to the company, the rationale behind the convertibles issue is the need to refinance $300m of bonds maturing in 2002 while there is strong demand for these instruments.

Lukoil targets acquisition of Norsi at cash auction

The Federal Property Fund announced that it will start to accept bids on October 15 for the 85% government stake in Norsi Oil, a large refinery with capacity over 400 kbpd, located in the Volga region, near the third largest Russian city, Nizhny Novgorod. Norsi Oil is connected to the rich Moscow region by a petroleum product pipeline.

The 85% stake is split into two lots of 40% and 45% to improve chances of finding a buyer for each. The starting price for the whole stake is $44m. The results of the auction will be announced on October 19. Earlier Lukoil said it is willing to buy the plant, which will enable the group to refine all oil for domestic consumption at its own facilities.

Lukoil is likely to meet little competition at the auction as Norsi is heavily indebted (the plant owes the federal budget around $200m in tax arrears) and needs substantial investments. Earlier Lukoil said it planned to invest around $450m in a refinery upgrade over the long-term.

Tatneft posts confusing 1H 2001 RAS results

Tatneft announced 24% and 18% increase of its net and pre-tax profit for 1H2001, explained by dramatic reduction of the comparative results for 1H2000. The company said that the adjustment occurred due to unaccounted interests payment referred to 1H2000. Compared with the unadjusted results of 1H2000

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Tatneft pre-tax and net profit fell by 38% and 30% respectively in 1H2001.

In 1H2001 the company repaid around $65m and reduced its debt position to $815m. The company also announced that it may issue $300m in Eurobonds to refinance those maturing in April 2002. We consider this to be positive news as the company is willing to keep its capex at a yearly level of around $500m. Due to the simple structure of the company, Tatneft RAS results are a good proxy for GAAP figures and we can expect to see GAAP results generally in line with RAS.

Tatneft 1H 2001 results (RAS)

	1H00	1H01	Change
Average Urals price, $/b	25.80	24.31	-6%
Average R/$ exchange rate	28.45	28.79	1%
Revenue ($m)	1,670	1,467	-12%
Cost of goods sold ($m)	1,028	920	-10%
SGA ($m)	80	93	17%
Operating profit ($m)	563	453	-20%
Pre-tax profit ($m)	319	375	18%
Taxes ($m)	104	108	4%
Net profit ($m)	214	267	24%
Operating margin	34%	31%	-8%
Net margin	13%	18%	42%

Source: Company data, RMG estimates

Gazprom 1H 2001 consolidated RAS results in line with expectations

Gazprom posted RAS consolidated accounts including results of Gazexport and Mezhregiongaz, the two major profit centers of the group. The results are a reasonable proxy for 1H 2001 IAS accounts, normally published in October.

Gazprom 1H 2001 results (RAS)

	1H00	1H01	Change
Ruble/dollar exchange rate	28.45	28.80	1%
Sales ($bn)	6.64	8.98	35%
CGS $bn	1.30	2.34	80%
SGA $bn	2.16	2.68	24%
Operating profit ($bn)	3.22	3.96	23%
Pre-tax profit ($bn)	2.73	3.41	25%
Taxes ($bn)	0.55	1.19	116%
Net profit ($bn)	2.18	2.22	2%
Operating margin	48%	44%	-9%
Net margin	33%	25%	-25%

Source: Company data, RMG estimates

For the first half of the year Gazprom revenue increased by 35% in line with export and domestic gas prices, which currently stand at $130-150 and $12-14 per thousand cubic meters respectively. However, operational cost increase of 80% cannot be properly explained by 20% inflation of ruble costs and increase of production volume. The company provided insufficient information to decipher the reasons for increased operating costs.

In 1H 2001 production volumes decreased by 1.6% to 261.3 bcm. At the same time Gazprom has announced the commissioning of the major Zapolyarnoye gas field by the end of the year. Annual production at the field is scheduled at 100 bcm, compensating for falling production at older fields.

Russia set to increase crude oil export

According to Energy Minister Igor Yusufov, Russian oil production in 2001 will increase by 7% to 325 million tonnes (6.5 mbpd). Of this, 190 million tonnes (3.8 kbpd) will be exported and the remaining 135 million (2.7 kbpd) are intended for domestic consumption. Yusufov also said that his Ministry will be in charge of oil export coordination, which is currently regulated by a special government committee.

Yusufov also said that Russia will continue to increase its exports though it “respects” the opinion of OPEC countries. At the same time consensual estimates of actual OPEC crude output excluding Iraq have been raised by 312 kbpd to 25.025 mbpd, following an upward revision of Saudi Arabian output to 8.25 mbpd in July. Formal production quotas are currently set at 24.2 mbpd.

Despite the growing output, crude prices are expected to stay within the OPEC price band of $22-28 due to falling crude and gasoline stocks and higher demand expectations in the US. OPEC is scheduled to hold a regular meeting on September 26 to discuss further production cuts.

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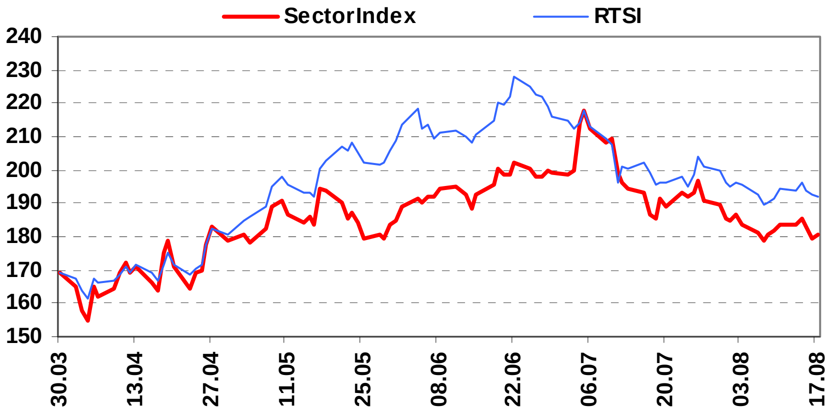
Power Utilities Index vs. RTS Index



Power Utilities Key Figures

Sector indicators: median	Russia	Discount to emerging markets
MC / Net sales	0.2	-75%
MC / EBITDA	1.8	-37%
MC / Owned inst. capacity	29.3	-90%
MC / Retail supplies of elec.	4.0	-90%

ADRs of Russian power utilities	Last sale	Wk change
RAO UES	10.700	0.0%
Mosenergo	2.900	-3.3%
Irkutskenergo	3.500	0.0%

Sector Wrap

- UES determined this week the specifics of the new national grid company. It will be set up in three stages during the next three years.
- Georgiy Kutovoy, the head of the Federal Energy Commission, has prepared proposals for the new tariff regulation body, which will be founded on the FEC basis. According to him, this entity will concentrate functions of the regional energy commissions, currently operating almost independently from FEC. He also stated that setting-up of Energy Commissions in each of the 7 federal territorial amalgamations was possible.
- All nine nuclear power stations will be consolidated in a single nuclear power generating company after its foundation, generating 40% of electricity supplied to the power grid.
- The Moscow mayor Yuri Luzhkov announced possible freeze on future Mosenergo tariffs increases till the end of 2001.The likely reason is the on-going confrontation between UES and the Moscow government, both fighting for control over Mosenergo.
- Energos and power stations continue reporting financial results for H1 2001. Positive H1 2001 / H1 2000 dynamics was displayed by Belgorodenergo; the results of Kalugaenergo were neutral; a bulk of energos, including Irkutskenergo, Volgogradenergo, Altayenergo, Amurenergo, Orelenergo and Kabbalkenergo demonstrated depressive results.

Sector Statistics

Issue	Issue RTS Code	Mid Market Price, $	Weekly Change, %	Weekly Volume, $mln	Market Cap, $mln	52 week Low, $	52 week High, $	P/S 00	P/E 00
Bashkirenergo	**BEGY**	0.081	-1.52		84.72	0.03	0.10	0.19	2.54
Irkutskenergo	**IRGZ**	0.079	0.00	0.06	376.58	0.06	0.12	1.25	6.64
Lenenergo	**LSNG**	0.248	-3.60	0.04	203.88	0.11	0.33	0.53	199.87
Lenenergo pref.	**LSNGP**	0.109	2.11			0.03	3.86		
Mosenergo	**MSNG**	0.031	-2.39	0.82	866.41	0.02	0.05	0.81	21.89
UES	**EESR**	0.105	-1.87	11.45	4460.89	0.07	0.17	0.58	11.19
UES pref.	**EESRP**	0.074	2.00	0.66		0.03	0.08		
Samaraenergo	**SAGO**	0.027	1.89		101.53	0.01	0.03	0.30	4.79
Samaraenergo pref.	**SAGOP**	0.013	-1.87			0.01	0.02		
Sverdlovenergo	**SVER**	0.092	4.24		54.53	0.04	0.12	0.09	3.23
Permenergo	**PMNG**	1.725	0.00		76.66	0.50	1.85	0.19	2.26
Permenergo pref.	**PMNGP**	1.250	0.00			0.24	1.20		

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Some specifics of power sector restructuring

UES executives sat this week to determine a plan for creation of the new national grid company. The company will be set up in three stages. First it will be registered as a 100% subsidiary of UES with inheritance of current transmission assets of UES. Methodology for calculation of the transmission fee will then be submitted to the regulatory body. During the first half of 2002 UES plans to carry out necessary reorganization, including personnel changes and preparation of contracts with grid users. In the third stage, from July 2002, the national grid company will start to operate and will begin redeeming transmission assets that are owned by regional energos. The plan must be approved at a meeting of the UES board of directors, scheduled for October-November 2001.

According to the proposals for the new tariff regulation body (ETO in Russian), prepared by Georgiy Kutovoy, the new entity will use the Federal Energy Commission (which is headed by Mr Kutovoy) as a platform to concentrate functions of the regional energy commissions, which regulate tariffs on the regional levels at present. Earlier it was announced that the Russian President had approved ETO organization on the basis of the FEC, while plans of the Ministry for Economic Development to create a completely new body were rejected by the Russian government. As we understand Mr Kutovoy's current proposals are in line with government intentions to maintain control over tariffs in Russia for a certain period before deregulating them. However, there are worries that liquidation of the regional commissions and concentration of power price regulation in a single body will complicate effective tariff solutions and be negative for the power industry.

A single nuclear generating company will likely take over all nine Russian nuclear power stations, including the Leningradskaya NPS, which is independent from Rosenergoatom at present and operates as a state enterprise. The new consolidated company will represent about 40% of electricity supplied to the wholesale power grid and may dominate this market. The government will evidently need to regulate tariffs to avoid monopoly abuse.

Luzhkov announces possible tariff freeze for Mosenergo

The Moscow mayor Yury Luzhkov declared that Mosenergo may have to end this year with no changes in tariffs. The mayor justified this by saying that Mosenergo has sufficient financial reserves, but we suspect that the real reason is current acrimony between UES and the Moscow government.

UES has won the battle to hold an EGM at Mosenergo to reelect its present CEO, Alexander Remezov, who is supported by Moscow officials and backs Mosenergo's separatism regarding power sector restructuring. A recent court decision opened the way for the EGM, which will be held on August 31 by postal vote. Mr Luzhkov seems to plan further confrontation with UES and tariffs issues are an obvious battleground.

UES demonstrates AGM counting technology to minority shareholders

UES reported it held a demonstration of counting procedures used at shareholder meetings. The demonstration was held on the request of minority shareholders, who failed to get their candidates elected to the UES board of directors at the annual meeting this spring. No violations were found in the demonstration. However minority parties were not satisfied with the results and still believe that UES falsified some bulletins at the meeting – it was reported that 2% of the voting papers were nullified. UES has not presented these bulletins, referring to the law, which forbids opening confidential information to third parties. Minority shareholders have appealed to the General Prosecutors Office, but the latter seems to be ignoring them.

Bashkirenergo schedules EGM date

The Bashkirenergo board of directors has scheduled an EGM for October 15. The meeting will elect a new board of directors following a proposal by UES, which blamed the current board for unwillingness to meet company obligations to pay the transmission fee to UES. Bashkirenergo says it owns high-voltage transmission lines, and therefore needs not pay. The UES stake in Bashkirenergo is small (less than 25%) and reelections are unlikely to favor UES.

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Chelyabenergo reports postponement of dividend pay-out

A Chelyabenergo official said the company failed to pay dividends to shareholders according to the initial pay-out schedule. At the AGM it was decided to complete the 2000 pay-out by August 16. However, the company paid out only 34% of total dividends by that date, because of a cash shortage. The company earlier reported preliminary net losses of $4.6m for the first half of 2001.

Nizhny Novgorod energy commission plans no tariff changes for Nizhnovenergo in short term

Officials from the regional energy commission of Nizhny Novgorod say they plan not to change tariffs for Nizhnovenergo. A petition to raise tariffs by 35-39% beginning from September 2001 was submitted to the REC this week by the power utility. As reported, Nizhnovenergo has operated unchanged tariffs since July 2000. H1 2001 results suggest improvement, showing an increase of operating profit to $20m from $8m in H1 2000, while net profit grew to $5.1m from $4.5m. However, if tariffs are not increased further, we expect comparative deterioration in financial performance in the third quarter this year.

Irkutskenergo H1 2001 results – negative

Irkutskenergo showed sales growth of only 12% in H1 2001 vs. H1 2000, while operating costs grew by 43% (accrual basis). Reasons include pressure on tariffs by local aluminum plants, owned by SUAL and RUSAL, along with cost growth (mainly for coal purchases). At the recent shareholders meeting representatives of these companies strengthened their control over the power utility. Operating profit for H1 2001 was $24m, down 53% from $52m in H1 2000. Net profit was minimal at about $6m with a corresponding net margin at 3% vs. sound 20% in H1 2000. The power utility did not release total receivables and payables, but according to our estimates receivables fell a little from the end of 2000, while payables showed a more noticeable drop of 8%.

Irkutskenergo H1 2001 results (accrual basis)

	2Q01, $m	2Q00, $m	Change, %
Sales	181	162	12%
CGM	156	110	43%
Operating profit	24	52	-53%
Pre-tax profit	16.5	50.3	-67%
Profit tax	10.6	17.6	-39%
Net profit	5.9	32.8	-82%
	2Q01, $m	**4Q00, $m**	**Change, %**
Receivables	196	199	-1%
Payables	151	164	-8%

Source: Company data, RMG estimates

We see Irkutskenergo dynamics as negative in the short term, even though it plans major increase of wholesale supplies, which are expected to equal 10% of current supplies of electricity within the Irkutsk region. Grid tariffs will only be meaningfully profitable after a genuine power market is established.

Volgogradenergo H1 2001 results – negative

Volgogradenergo reported negative results for H1 2001 on accrual and cash basis. The company showed negative operating profit and net losses under both systems. Losses seem to be huge – $12m on accrual basis and $6m on cash basis, and it is doubtful that Vologdaenergo will be able to reverse such negative tendencies in the short term.

Volgogradenergo H1 2001 results (accrual)

	2Q01, $m	2Q00, $m	Change, %
Sales	107	90	18%
CGM	116	89	31%
Operating profit	-9	2	n/a
Pre-tax profit	-12.2	0.4	n/a
Profit tax	0.1	0.3	-71%
Net profit	-12.3	0.1	n/a
	2Q01, $m	**4Q00, $m**	**Change, %**
Receivables	94	101	-8%
Payables	139	140	0%

Source: Company data, RMG estimates

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Belgorodenergo H1 2001 results – positive

Belgorodenergo evolved well in the first half of 2001, with a 118% y-o-y rise in operating profit and 89% increase in net profit (accrual basis). The results were positive thanks to a friendly local tariff regulator, which approved changes in tariffs in line with cost growth. It also allowed a profit margin increase – operating margin grew to 15% from 11% in H1 2000. Receivables and payables decreased, and their ratio to revenues is among the smallest in the power industry.

Cash-based results were less impressive with a 46% rise in operating profit and a 33% decrease in net profit because of inclusion of customer bills from the previous period, reflecting lower tariff levels. Collection of payments, determined as the ratio between accrual and cash sales, totaled almost 100%.

Belgorodenergo H1 2001 results (accrual basis)

	2Q01, $m	2Q00, $m	Change, %
Sales	88	58	51%
CGM	74	51	45%
Operating profit	14	6	118%
Pre-tax profit	8.3	5.6	49%
Profit tax	3.4	3.0	12%
Net profit	5.0	2.6	89%
	2Q01, $m	**4Q00, $m**	**Change, %**
Receivables	25	25	-3%
Payables	23	25	-8%

Source: Company data, RMG estimates

Altayenergo H1 2001 results – negative

Altayenergo continues to set negative track records. For H1 2001 the company reported deterioration in operating profit, showing $3m operating losses compared with losses of $2m for H1 2000 at (accrual basis). Other operating and non-operating results also showed losses, bringing overall H1 2001 net loss of $5.5m.

Altayenergo H1 2001 results (accrual basis)

	2Q01, $m	2Q00, $m	Change, %
Sales	77	53	46%
CGM	80	55	45%
Operating profit	-3	-2	n/a
Pre-tax profit	-5.1	-4.2	n/a
Profit tax	0.4	0.0	990%
Net profit	-5.5	-4.3	n/a
	2Q01, $m	**4Q00, $m**	**Change, %**
Receivables	61	61	-1%
Payables	143	134	7%

Source: Company data, RMG estimates

UES, which holds around 55% of charter capital at Altayenergo, intends to dismiss the general director Vladimir Konovalov, blaming him for multiple violations in financial and operating activities.

Amurenergo H1 2001 results – negative

Based on cash results, we see a negative short-term outlook for Amurenergo. The company reported a 82% decrease in operating profit for H1 2001 compared with H1 2000, despite growth in revenues by 54%. The utility posted a net loss of $0.7m vs. net profit of $3.8m in H1 2000. Although receivables and payables fell from since the start of the year, they remain at a high level, particularly payables.

Amurenergo H1 2001 results (cash basis)

	2Q01, $m	2Q00, $m	Change, %
Sales	52	34	54%
CGM	51	29	75%
Operating profit	1	4	-82%
Pre-tax profit	-0.1	5.5	n/a
Profit tax	0.6	1.7	-63%
Net profit	-0.7	3.8	n/a
	2Q01, $m	**4Q00, $m**	**Change, %**
Receivables	57	66	-13%
Payables	79	81	-2%

Source: Company data, RMG estimates

Kalugaenergo H1 2001 results – neutral

We view Kalugaenergo financial results as neutral since major profit increases were spoilt by poor

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payment collection. For H1 2001 the company increased its net profit on accrual basis to $0.4m from net losses in H1 2000, and net sales increases by 54%. At the same time receivables grew by almost 50% from the year beginning, and payables grew even more. We believe that Kalugaenergo showed improvements in the P&L statement because it reported on accrual basis, while cash-based results are less impressive.

Kalugaenergo H1 2001 results (accrual basis)

	2Q01, $m	2Q00, $m	Change, %
Sales	27	17	54%
CGM	25	18	45%
Operating profit	2	0	n/a
Pre-tax profit	0.8	0.1	683%
Profit tax	0.3	0.1	131%
Net profit	0.4	0.0	n/a
	2Q01, $m	**4Q00, $m**	**Change, %**
Receivables	14	9	49%
Payables	12	7	86%

Source: Company data, RMG estimates

Orelenergo H1 2001 results – negative

Orelenergo showed a certain improvement in its main business on accrual basis, with a decrease of operating losses from $4m in H1 2000 to just $1m in H1 2001. Results on cash basis were less good – the power utility increased operating losses from $2m in H1 2000 to $3m in the first half of this year. The trend seems negative, particularly in view of a 3% growth in payables, which are extremely high compared with revenues.

Orelenergo H1 2001 results (accrual basis)

	2Q01, $m	2Q00, $m	Change, %
sales	23	14	63%
CGM	25	18	36%
Operating profit	-1	-4	n/a
Pre-tax profit	-1.5	-3.9	n/a
Profit tax	0.0	0.0	n/a
Net profit	-1.5	-3.9	n/a
	2Q01, $m	**4Q00, $m**	**Change, %**
Receivables	29	29	-2%
Payables	48	47	3%

Source: Company data, RMG estimates

Kabbalkenergo H1 2001 results – negative

With $2m operating losses and $1.8m net losses (accrual basis) for H1 2001 we naturally grade current dynamics of Kabbalkenergo as negative. Cash-based results were similar. Receivables and payables increased.

Kabbalkenergo H1 2001 results (accrual)

	2Q01, $m	2Q00, $m	Change, %
Sales	11	7	57%
CGM	13	9	43%
Operating profit	-2	-2	n/a
Pre-tax profit	-1.8	-1.9	n/a
Profit tax	0.0	0.0	-100%
Net profit	-1.8	-1.9	n/a
	2Q01, $m	**4Q00, $m**	**Change, %**
Receivables	31	28	12%
Payables	43	37	19%

Source: Company data, RMG estimates

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Comparative table for H1 2001 results

The following table shows key results reported by power sector companies for six months of 2001, and published in this or earlier issues of RMG Weekly. We included here our view of the DYNAMICS of these results, which may affect stocks development in the short to medium terms. The multiples may not be fully comparable, as the accounting basis ("AB" column) of the profit and loss statement may vary between companies.

Power utilities H1 2001 results

Company	Dyna-mics	AB*	Net sales		Operating profit			Net profit			Receivables		Payables	
			2Q01, $m	YOY, %	2Q01, $m	YOY, %	margin, %	2Q01, $m	YOY, %	margin, %	2Q01, $m	/ 4Q00, %	2Q01, $m	/ 4Q00, %
Altayenergo	**neg**	A	77	46%	-2.9	n/a	neg	-5.5	n/a	neg	61	-1%	143	7%
Amurenergo	**neg**	C	52	54%	0.8	-82%	2%	-0.7	n/a	neg	57	-13%	79	-2%
Bashkirenergo	**pos**	A	266	24%	62.7	76%	24%	32.4	61%	12%	262	16%	249	0%
Belgorodenergo	**pos**	A	88	51%	13.5	118%	15%	5.0	89%	6%	25	-3%	23	-8%
Cherepetskaya GRES	**pos**	A	30	54%	6.4	n/a	21%	3.5	n/a	11%	15	19%	21	-24%
Dagenergo	**neg**	A	12	40%	1.4	0%	11%	0.2	-88%	1%	14	-3%	5	-12%
Irkutskenergo	**neg**	A	181	12%	24.3	-53%	13%	5.9	-82%	3%	196	-1%	151	-8%
Kabbalkenergo	**neg**	A	11	57%	-1.7	n/a	neg	-1.8	n/a	neg	31	12%	43	19%
Kalugaenergo	**neut**	A	27	54%	1.6	n/a	6%	0.4	n/a	2%	14	49%	12	86%
Komienergo	**neg**	A	92	50%	7.7	33%	8%	-0.8	n/a	neg	76	-4%	97	-6%
Konakovskaya GRES	**neut**	A	40	37%	12.1	52%	30%	1.9	-54%	5%	35	-36%	72	-26%
Krasnoyarskenergo	**neg**	A	160	15%	16.4	-50%	10%	2.9	-82%	2%	166	3%	165	0%
Kuzbassenergo	**neg**	A	209	23%	16.5	-18%	8%	-0.3	n/a	neg	196	-6%	227	-2%
Lenenergo	**pos**	A	281	78%	39.5	n/a	14%	25.2	n/a	9%	127	-12%	202	-21%
Mordovenergo	**neg**	A	25	7%	0.8	-69%	3%	-0.5	n/a	neg	35	-7%	41	-14%
Mosenergo	**pos**	A	763	56%	194.4	187%	25%	92.7	486%	12%	517	-13%	501	-23%
Nizhnovenergo	**pos**	C	147	48%	19.7	132%	13%	5.1	14%	3%	152	-5%	162	-8%
Novosibirskenergo	**neg**	A	117	54%	4.7	-68%	4%	-4.1	n/a	neg	78	-33%	154	7%
Orelenergo	**neg**	A	23	63%	-1.4	n/a	neg	-1.5	n/a	neg	29	-2%	48	3%
Permenergo	**pos**	A	193	19%	31.8	-3%	17%	14.8	6%	8%	150	-8%	183	-13%
Pskovenergo	**neut**	A	18	64%	0.3	-76%	2%	-1.7	n/a	neg	8	-48%	7	-28%
Rostovenergo	**neut**	A	110	37%	11.4	16%	10%	2.4	-54%	2%	110	-8%	116	-7%
Sverdlovenergo	**pos**	A	323	32%	50.8	146%	16%	3.8	-3%	1%	224	-10%	330	-10%
Tomskenergo	**pos**	A	51	61%	5.9	n/a	12%	3.1	n/a	6%	23	-4%	10	-34%
Tulenergo	**pos**	A	77	44%	10.3	198%	13%	8.5	300%	11%	59	7%	67	-10%
Vladimirenergo	**neg**	A	45	27%	1.3	-73%	3%	-1.7	n/a	neg	40	-5%	59	-4%
Volgogradenergo	**neg**	A	107	18%	-8.9	n/a	neg	-12.3	n/a	neg	94	-8%	139	0%
Vologdaenergo	**neut**	A	89	35%	13.6	10%	15%	6.8	-13%	8%	17	-16%	26	-11%
Voronezhenergo	**neg**	A	70	22%	2.6	-48%	4%	-0.4	n/a	neg	53	-5%	65	-10%
Yarenergo	**pos**	A	72	46%	5.5	2358%	8%	4.7	1918%	7%	32	-2%	35	-22%

Note: AB – accounting basis, A – accrual, C - cash

Source: Company data, RMG estimates

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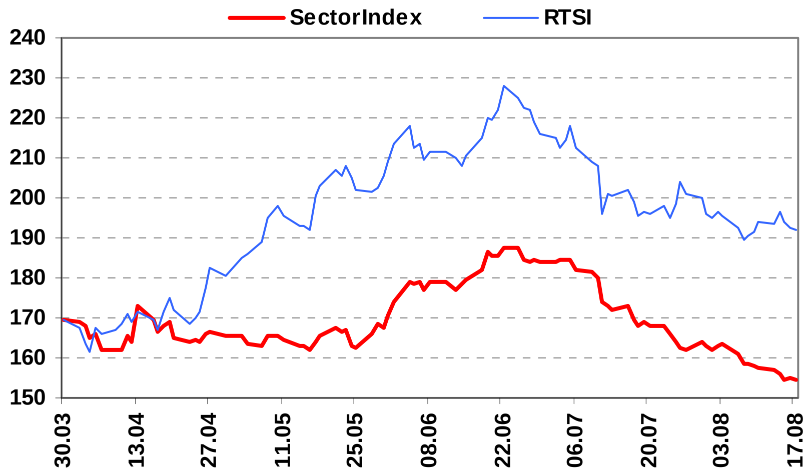
Telecom Index vs. RTS Index



Telecoms Key Figures

Sector indicators: median	Value	Wk change
P/E sector average	9.56	-1.48%
PS sector average	1.11	-1.48%
MC/CE sector average	0.76	-2.49%
MC/NAV sector average	0.95	-1.48%
EV/EBITDA sector average	6.19	-0.81%
EV/Sales sector average	2.04	-0.81%
EV/Profit sector average	17.51	-0.81%
EV/LIS sector average	103.21	-0.76%
MC/LIS sector average	66.01	-1.19%
NP/LIS sector average	7.44	0.00%
Sales/LIS sector average	53.05	0.00%

ADRs of Russian telecoms	Value	Wk change
Rostelecom	3.94	0.25%
MTS	24.91	10.32%
Vimplecom	15.05	-2.78%

Sector Wrap

- Shareholders of the Mustcom consortium, holder of 25% plus one share in Svyazinvest, voted for the consortium to be kept in existence for a further four years. Companies associated with George Soros, whose fund is the main shareholder in Mustcom, have increased the Soros stake in Mustcom by purchasing shares from consortium partners at 50% of their dollar value.

- A new cellular operator will be set up by Telecominvest, CT-Mobile, Sonera and Telia by unification of North-West GSM, Sonic Duo and regional subsidiaries of Telecominvest. The new operators will offer services under the MegaFon brand and total planned investments for the next 3 years are $600m.

- According to MTS officials, H1 2001 net profit grew to $66m, a 40% rise from H1 2000. Operating profit was $104m vs. $68m in H1 2000. The number of subscribers at the end of H1 2001 was 1.86 million and on August 3 MTS reported achieving 2 million subscribers.

- Telecom sector H1 2001 results

Sector Statistics

Issue	Issue RTS Code	Mid Market Price, $	Weekly Change, %	Weekly Volume, $mln	Market Cap, $mln	52 week Low, $	52 week High, $	P/S 00	P/E 00
Chelyabinsk Svyazinform	**SVIC**	11.150	-6.30		55.53	9.00	29.75	1.13	20.96
Kuban Electrosvyaz	**KUBN**	6.800	-0.37		71.76	6.50	14.50	n/a	5.19
Moscow City Telephone	**MGTS**	6.045	-3.28		512.10	4.50	9.00	1.95	17.38
Moscow City Telephone pref.	**MGTSP**	1.850	-6.33			0.80	2.36		
Moscow Region Electrosvyaz	**ESMO**	136.00	-7.80		63.10	125.00	235.00	0.70	8.09
N.Novgorod Svyazinform	**NNSI**	0.975	0.00	0.01	85.32	0.70	1.65	1.71	7.94
Novosibirsk Electrosvyaz	**ENCO**	1.625	6.21		23.66	0.25	0.76	0.71	4.54
Rostelekom	**RTKM**	0.665	-2.56	1.10	532.54	0.66	2.56	0.78	12.71
Rostelekom pref.	**RTKMP**	0.287	-1.29	0.05		0.28	0.87		
Rostov Electrosvyaz	**ELRO**	0.550	-2.66	0.01	38.41	0.50	1.31	0.84	8.10
Samara Region Svyazinform	**SVLN**	20.350	-4.68		40.31	18.20	52.00	0.95	12.03
St.-Petersburg City Telephone	**SPTL**	0.368	2.08		140.49	0.30	0.80	2.88	43.02
Uralsviazinform	**URSI**	0.009	10.00	0.01	76.95	0.01	0.02	1.34	9.18
Uraltelecom	**URTC**	4.200	-1.75		20.29	3.80	7.77	0.32	0.85

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Mustcom shareholders vote to keep consortium for 4 years

Mustcom, which holds a blocking stake in Svyazinvest, was threatened with extinction in June after shareholders associated with Interros Group (10.2% of Mustcom) blocked the proposal of Soros Fund Management (53% of Mustcom) to prolong the existence of the consortium for 4 years. Soros has apparently moved to buy out the Interros shares in Mustcom, ensuring that consortium members would vote for its preservation at a meeting last week. According to the Financial Times, firms associated with Soros had already bought some shares of Mustcom for 50% of their dollar value. Mustcom bought 25% plus 1 share of Svyazinvest in 1997 for $1.875bn.

New Russia-wide cellular operator announced

A new cellular operator using the MegaFon brand of Petersburg group, Telecominvest, has been set up by Telecominvest, CT-Mobile, Sonera and Telia through unification of North-West GSM (a Telecominvest subsidiary), Sonic Duo and regional subsidiaries of Telecominvest. The unification will be completed in 1Q 2002. Total investments by the new operators for the next 3 years have been set at $600m. Telecominvest will take 31.3% of the company, Sonera –26%, CT-Mobile – 25.1%, Telia – 8.1%, and the ITOC FUND – 6.5%. A public placement of shares is planned for the future.

In a related deal Telenor sold its 12.74% stake in North-West GSM to Sonera and Telia. This is natural since Telenor is a strategic partner of Vimpelcom, which is a direct competitor to the new company on the Russian mobile market. As a result Sonera (owner of 23.52% before the deal) takes a blocking stake in North-West GSM.

It was also reported that the IFC and European Bank of Reconstruction and Development will invest $80m in the development of Sonic Duo in the Moscow region.

MTS net profit rises by 40%

According to MTS officials, H1 2001 net profit grew to $66m, a 40% rise from H1 2000. Operating profit was $104m vs. $68m in H1 2000. The value of bringing in a new subscriber was $62 vs. $79 in H1 2000. The number of subscribers at the end of H1 2001 was 1.9 million and on August 3 MTS reported achieving 2 million subscribers. The switching capacity of the company is 2.5 million. Total investments in H1 2001 were $163m.

MTS H1 2001 results

	H1 01, $m	H1 00, $m	Change, %
Net sales	372	221	68%
Operating profit	104	68	53%
Net profit	66	47	40%

Source: Company data, RMG estimates

It was also reported this week that MTS has purchased 81% of the Far East cellular operator, Telecom 900, for $27m. Before the deal Sistema Telecom, subsidiary of AFG Sistema, was the owner of 100% of Telecom 900. Following acquisition of Telecom 900 the license zone of MTS and its subsidiaries is 46 Russian regions with a population of 86m people (56% of total Russian population). The company is aiming to obtain a federal mobile operator status.

Rostelecom revises basic H1 2000 indicators (RAS)

According to the revision net profit in 1H2000 was $19m instead of $22m shown earlier. Pre-tax profit was $38m ($40m initially reported).

Telecom sector H1 2001 results

Kabbalktelecom H1 2001 results – positive

According to Kabbalktelecom officials, H1 2001 net sales grew to $4m, a 33.8% rise from H1 2000. The company also posted an increase of 46.9% in operating profit and 35.8% growth in net profit.

Kabbalktelecom H1 2001 results (RAS)

	H1 01, $m	H1 00, $m	Change, %
Net sales	4.0	3.0	33.8%
CGM	2.7	2.1	29.8%
Operating profit	1.1	0.7	46.9%
Pre-tax profit	0.7	0.5	41.5%
Profit tax	0.2	0.1	55.4%
Net profit	0.5	0.4	35.8%

Source: Company data, RMG estimates

Altaitelecom H1 2001 results – positive

Altaitelecom showed strong financial results for H1 2001. In the half-year period the company increased sales by 24.4% from H1 2000 while costs rose by 19.7%. Net profit also rose by 369.8%

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Altaitelecom H1 2001 results (RAS)

	H1 01, $m	H1 00, $m	Change, %
Net sales	15.5	12.5	24.4%
CGM	11.4	9.5	19.7%
Operating profit	3.6	2.8	28.5%
Pre-tax profit	2.8	1.1	145.1%
Profit tax	1.0	0.8	28.1%
Net profit	1.8	0.4	369.8%

Source: Company data, RMG estimates

Astrakhan Svyazinform H1 2001 results – positive

Despite growth of net sales, net profit decreased to $0.3m in H1 2001 compared with $0.5m in H1 2000 due to tax pressure. Profit from sales and pre-tax profit increased significantly.

Astrakhan Svyazinform H1 2001 results (RAS)

	H1 01, $m	H1 00, $m	Change, %
Net sales	6.9	5.4	28.6%
CGM	5.1	4.1	24.6%
Operating profit	1.7	1.2	39.6%
Pre-tax profit	0.8	0.7	26.0%
Profit tax	0.5	0.2	145.7%
Net profit	0.3	0.5	-25.7%

Source: Company data, RMG estimates

Tver Electrosvyaz H1 2001 results – neutral

Tver Electrosvyaz posted decreases in net profit by 40.1% and Operating profit by 16.3% in the first six months. The company also made larger tax payments than last year. However, growth of net sales looks positive and is stronger than growth of CGM.

Tver Electrosvyaz H1 2001 results (RAS)

	H1 01, $m	H1 00, $m	Change, %
Net sales	9.6	8.1	18.0%
CGM	9.3	8.0	16.7%
Operating profit	2.0	2.4	-16.3%
Pre-tax profit	1.4	1.8	-24.4%
Profit tax	0.4	0.3	62.1%
Net profit	0.9	1.5	-40.1%

Source: Company data, RMG estimates

Orenburg Electrosvyaz H1 2001 results – negative

The company showed negative financial dynamics in H1 2001, with a 46.2% decrease in net profit. Also operating profit decreased by 9.6%. Net sales growth was only 21.2% compared with CGM growth of 27.2%.

Orenburg Electrosvyaz H1 2001 results (RAS)

	H1 01, $m	H1 00, $m	Change, %
Net sales	14.6	12.0	21.2%
CGM	12.5	9.8	27.2%
Operating profit	1.9	2.1	-9.6%
Pre-tax profit	1.4	1.8	-22.1%
Profit tax	0.8	0.7	16.7%
Net profit	0.6	1.1	-46.2%

Source: Company data, RMG estimates

Kamchat Svyazinform H1 2001 results – positive

According to Kamchat Svyazinform officials, H1 2001 net sales grew to $8.1m, a 25% rise from H1 2000. Despite a 21.9% growth in CGM, the company posted an increase of 7.3% in operating profit. Net profit decreased. Profit tax was near to zero in H1 2000 compared with a rate of 75% in H1 2001.

Kamchat Svyazinform H1 2001 results (RAS)

	H1 01, $m	H1 00, $m	Change, %
Net sales	8.1	6.5	25.0%
CGM	5.7	4.7	21.9%
Operating profit	1.0	0.9	7.3%
Pre-tax profit	0.4	0.2	85.5%
Profit tax	0.3	0.0	5810.1%
Net profit	0.1	0.2	-60.3%

Source: Company data, RMG estimates

Omsk Electrosvyaz H1 2001 results – negative

Omskelectrosvyaz posted decreases in net profit by 51.3% and pre-tax profit by 31.5% in the first six months of 2001. CGM also increased significantly.

Omsk Electrosvyaz H1 2001 results (RAS)

	H1 01, $m	H1 00, $m	Change, %
Net sales	14.5	11.5	26.1%
CGM	12.1	8.8	37.6%
Operating profit	2.3	2.7	-13.9%
Pre-tax profit	1.5	2.1	-31.5%
Profit tax	0.7	0.6	16.2%
Net profit	0.7	1.5	-51.3%

Source: Company data, RMG estimates

Tambov Electrosvyaz H1 2001 results – positive

According to company officials, H1 2001 net sales grew to $8m, a 35.3% rise from H1 2000, operating

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profit grew to $2.1m, a 40% rise from H1 2000. Other financial indicators are also positive.

Tambov Electrosvyaz H1 2001 results (RAS)

	H1 01, $m	H1 00, $m	Change, %
Net sales	8.0	5.9	35.3%
CGM	5.8	4.4	33.4%
Operating profit	2.1	1.5	40.0%
Pre-tax profit	1.7	1.3	29.3%
Profit tax	0.5	0.2	148.1%
Net profit	1.2	1.1	6.7%

Source: Company data, RMG estimates

Ulyanovsk Electrosvyaz H1 2001 results – positive

Ulyanovsk Electrosvyaz showed positive financial dynamics in H1 2001, with a 52.3% increase in operating profit. Net sales rose by 34.3%. The net profit result took a turn for the worse due to tax pressure.

Ulyanovsk Electrosvyaz H1 2001 results (RAS)

	H1 01, $m	H1 00, $m	Change, %
Net sales	8.0	5.9	34.3%
CGM	6.4	5.0	27.9%
Operating profit	1.2	0.8	52.3%
Pre-tax profit	0.6	0.4	30.8%
Profit tax	0.4	0.2	134.5%
Net profit	0.1	0.2	-47.8%

Source: Company data, RMG estimates

Stavropol Electrosvyaz H1 2001 results – positive

According to company officials, H1 2001 net sales grew to $20.1m, a 40.5% rise from H1 2000. Growth of pre-tax profit (190.5%) and net profit (186.1%) was even higher.

Stavropol Electrosvyaz H1 2001 results (RAS)

	H1 01, $m	H1 00, $m	Change, %
Net sales	20.1	14.3	40.5%
CGM	13.3	10.1	32.2%
Operating profit	6.6	4.2	56.5%
Pre-tax profit	5.8	2.0	190.5%
Profit tax	1.9	0.6	200.4%
Net profit	3.9	1.4	186.1%

Source: Company data, RMG estimates

Kaluga Electrosvyaz H1 2001 results - positive

Kaluga Electrosvyaz showed positive financial dynamics in H1 2001, with a 59.9% increase in operating profit. Net sales rose by 27.2% and CGM by only 13.5%. Net profit results were curtailed by tax pressure.

Kaluga Electrosvyaz H1 2001 results (RAS)

	H1 01, $m	H1 00, $m	Change, %
Net sales	9.3	7.3	27.2%
CGM	6.2	5.5	13.5%
Operating profit	3.0	1.8	63.3%
Pre-tax profit	2.1	1.3	59.9%
Profit tax	1.0	0.5	101.8%
Net profit	1.1	0.8	34.1%

Source: Company data, RMG estimates

Cherepovets Electrosvyaz H1 2001 results - negative

The company posted decreases in net profit by 40.7% and pre-tax profit by 32.3%. Also CGM increased by 38.6% compared with a 16.2% rise in net sales.

Cherepovets Electrosvyaz H1 2001 results (RAS)

	H1 01, $m	H1 00, $m	Change, %
Net sales	3.9	3.4	16.2%
CGM	2.7	1.9	38.6%
Operating profit	0.9	1.2	-23.8%
Pre-tax profit	0.7	1.1	-32.3%
Profit tax	0.2	0.2	-2.7%
Net profit	0.5	0.9	-40.7%

Source: Company data, RMG estimates

Murmansk Electrosvyaz H1 2001 results – negative

Despite growth of net sales by 20.2% and operating profit by 51.4% the company showed a pre-tax profit decrease of 57.2%. The company showed losses of $0.3m due to tax pressure.

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Murmansk Electrosvyaz H1 2001 results (RAS)

	H1 01, $m	H1 00, $m	Change, %
Net sales	14.3	11.9	20.2%
CGM	13.0	11.0	18.0%
Operating profit	1.1	0.7	51.4%
Pre-tax profit	0.1	0.3	-57.2%
Profit tax	0.4	0.1	681.2%
Net profit	-0.3	0.3	n/m

Source: Company data, RMG estimates

Ivtelecom H1 2001 results – positive

Ivtelecom showed positive financial dynamics in H1 2001, with a 300.4% increase in pre-tax profit. The company also posted an increase of 41.9% in operating profit and a 35.8% rise in net profit.

Ivtelecom H1 2001 results (RAS)

	H1 01, $m	H1 00, $m	Change, %
Net sales	6.6	5.5	19.9%
CGM	5.1	4.5	14.5%
Operating profit	1.5	1.1	41.9%
Pre-tax profit	1.2	0.3	300.4%
Profit tax	0.2	0.1	55.4%
Net profit	0.5	0.4	35.8%

Source: Company data, RMG estimates

Federal Securities Commission permits ADR issues to four telecom companies

The FSC gave permission for ADR issues to St. Petersburg Telephone, Central Telecom (formerly Moscow Region Electrosvyaz), Primoriye Electrosvyaz and Novosibirsk Electrovyaz. ADR placement by core companies in the regional mergers is part of the Svyazinvest plan for sector reform.

Court lifts ban on Norilsk trading, share conversion extended, Sidanko cash goes to Norilsk

A court in the city of Kemerovo reversed its earlier decision to suspend trading in Norilsk Nickel and Norilsk Mining Company shares on MICEX and the RTS. The court decided not to pursue the case brought by an individual shareholder.

Norilsk Nickel will prolong the period for conversion of its shares to shares of Norilsk Mining Company. The conversion had been due for completion before August 21. The deal for shareholders who do not submit shares for conversion will be announced after the extended period ends. Following conversion Norilsk Mining Company will be the owner of 100% of Norilsk Nickel.

Interros, the main shareholder of Norilsk, says that it will invest $500m from the sale of oil company Sidanko in international projects of the mining company.

Aeroflot to buy over 30 new Russian aircraft

Aeroflot signed a memorandum with Russian aircraft designers, Sukhoy and Ilyushin, and the US company Boeing on August 13. According to the memorandum Aeroflot will buy more than 30 new aircraft. The deal also relates to purchase of planes in Canada and Brazil.

The memorandum follows a general agreement several months ago between Rosaviakosmos and Boeing on creation of new short-haul aircraft. In June it was announced that Russian participants in the project would be the Sukhoy subsidiary, Sukhoy Civil Aircraft , and Ilyushin. The new planes will be designed and built in Russia.

According to company results for H1 2001, Aeroflot controls 14% of domestic and 49% of international passenger transport business, and 7% of domestic and 28% of international commercial aviation business.

Sberbank reduces branches

Numbers of Sberbank branches have been reduced from 1529 to 1315 in the last 7 months. Top managers of the bank are trying to reform the Soviet-style branch system to reduce administration costs and increase profitability. But Sberbank's social commitments make it unlikely that all unprofitable branches will be closed.

In July the monthly banking magazine "The Banker" published its annual survey of the world's top 1000 banks, placing Sberbank 301st worldwide and in first place for total assets and return on capital in Central and Eastern Europe. Current credit rating (both long- and short-term) is "B" (Fitch IBCA), which is at the sovereign ceiling. Share capital is R1bn. The Central Bank holds 60.57% of Sberbank stock. The bank's loan portfolio at the end of 2000 was $10bn. Total assets were $20bn, and net profit was $454m.

Lending to Russian industry remains the strategic priority for the bank. Borrowers in 2000 included UES, Russian Aluminum, Sibir Airlines, the oil company Severnaya Neft, Tyumen Oil Company, Vimpelcom, and various small and medium-sized businesses.

Sberbank is the leading operator on the domestic securities market. The bulk of Sberbank's securities portfolio comprises government debt. The bank also works on establishing regional capital markets and invests in sub-federal securities. At the start of the year the total Sberbank portfolio of ruble securities was R67.1bn and the hard currency portfolio totaled $4bn.

Moscow court arrests 32.5% of Severstal

A Moscow court has arrested 32.5% of Severstal, controlled by company CEO Alexei Mordashov, as collateral for a lawsuit filed against Mordashov by his ex-wife. According to rumors in Russian media, the lawsuit may have been instigated by Severstal competitors, most likely Iskander Makhmudov, head of Urals Mining Company. The case may last from six months to a year and it is hard to gauge probability of the management losing its blocking stake.

In 2001 sales of Severstal on the domestic market exceeded exports. Re-orientation to the domestic market has proved the best way to compensate negative export trends.

Izhorsky Plants H1 2001 results – positive

Izhorsky Plants showed substantial profit growth after several years of poor performance. Net sales decreased by 7.6% but the company managed to reduce CGM by 19.5%. Also the company decreased tax payments.

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Izhorsky Plants H1 2001 preliminary results (RAS)

	H1 01, $m	H1 00, $m	Change, %
Net sales	65.7	71.1	-7.6%
CGM	54.1	67.1	-19.5%
Operating profit	3.4	2.3	47.7%
Pre-tax profit	18.8	7.1	165.4%
Profit tax	1.2	2.6	-53.0%
Net profit	17.6	4.5	289.3%

Source: Company data, RMG estimates

Zil H1 2001 results – negative

According to officials of Moscow vehicle manufacturer, Zil, H1 2001 net sales decreased to $65.9m, a 17% fall from H1 2000. Other indicators support the impression that Zil is effectively a dead company.

Zill H1 2001 results (RAS)

	H1 01, $m	H1 00, $m	Change, %
Net sales	65.9	80.0	-17.7%
CGM	80.7	91.3	-11.6%
Operating profit	-15.0	-12.9	n/m
Pre-tax profit	-12.9	-13.3	n/m
Profit tax	2.6	7.9	n/m
Net profit	-15.6	-21.2	n/m

Source: Company data, RMG estimates

Tzum H1 2001 results – neutral

Tzum showed negative financial dynamics in H1 2001, with a 25% increase in CGM and 21.2% fall in net profit. We forecast trading margins to continue to fall, as the company has little opportunity to negotiate prices with suppliers, although overall revenue prospects are positive, as growth of private incomes and purchasing power is still strong in Moscow and the Moscow region. Overall profitability should improve by year end, if Tzum manages to increase the rent which it charges for trading space sub-leased to external retailers and starts to receive rent from newly acquired 8000 square metres of trading space. We see some speculative upside in Tzum stock.

Tzum H1 2001 results (RAS)

	H1 01, $m	H1 00, $m	Change, %
Net sales	15.6	14.5	7.6%
CGM	12.1	9.7	25.0%
Operating profit	2.6	2.4	6.9%
Pre-tax profit	2.1	2.4	-14.0%
Profit tax	0.9	0.6	37.8%
Net profit	1.2	1.5	-21.2%

Source: Company data, RMG estimates

Rostselmash comes out of crisis

According to company results for the last seven months, Rostselmash produced 3746 combines, a rise of 180% from 7 months 2000. The company plans to increase net sales by using finance lease agreements. Rostselmash, Rosselkhozbank and Rosagroleasing signed an agreement to establish a joint agricultural leasing company. We forecast further decrease of interest rates in Russia, which will help the financial situation of the company.

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Nanoindustry seeks investment to develop commercial nanomachines

A new private company, called Nanoindustry, has been set up to develop and commercialize Russian nanotechnology know-how. The company was set up by the Institute of Nanotechnology together with its parent organization, the International Conversion Foundation (ICF), along with a company called Elite (billed as a transnational industrial-financial corporation), and several Russian electronic plants and metrology scientific research institutes. The new company has 100,000 authorized shares each with par value of one ruble.

While a majority (53%) equity stake in the company is held jointly by the Institute of Nanotechnology (28%), Elite (20%) and ICF(15%), the remaining 47% is distributed between a Russian electronics holding Rossiiskaya Elektronika (Russian Electronics) (13%), the Moscow Electronics Plant "Temp" (10%), the Russian State Scientific Research Institute of Metrology, Moscow (7%), and the Mendeleyev Russian State Scientific Research Institute of Metrology, St. Petersburg (7%).

Nanoindustry plans to engage in the following activities: nanotechnology R&D, including drafting of technical documentation, prototype development and beta testing; patent protection of proprietary nano-technology innovations; setting up of mass production and marketing of commercially viable nano-machines and nano-applications, inter-disciplinary nanoscience research; promotion of nanoscience undergraduate and graduate education.

Near-term R&D plans include a feasibility study, prototype development, beta testing, drafting of technical documentation and setting up of commercial production of tunable tunnel lasers and drafting of technical documentation, beta testing and setting up of commercial production of high-precision tunnel sensors.

High-precision tunnel sensors enable detection of earth crust movements, borders of mineral resources deposits, start and development of cracks and heterogeneity in materials, corrosion, leakage, deterioration in the condition of valuable objects, etc. Tunnel sensors have a variety of uses and applications from early earthquake detection and condition diagnosis of oil and gas pipes, to geological exploration and application in security systems and ultrasound medical equipment.

Tunable tunnel lasers enable radiation spectrum tuning within a wide range, from infrared to ultraviolet. Tunable tunnel lasers have a wide range of applications, from environmental control and drug detection, to color indication in various liquid crystal displays and spectral data compression in fiber optic lines and data storage devices.

Nanoindustry is currently seeking to raise several millions of US dollars to finance R&D and commercial production of high-precision tunnel sensors and tunable tunnel lasers.

Metromedia International Group reports 2Q 2001 results

Metromedia International Group, Inc. (www.metromedia-group.com, AMEX:NMG), which through Metromedia International Telecommunications, Inc. (MITI), owns various interests in communications joint ventures in Russia, the former Soviet Union and other emerging markets, reported results for the three and six months ended June 30, 2001. MITI owns 50% in Comstar (www.comstar.ru), a leading Moscow-based provider of dedicated, broadband and dial-up internet access and fixed telephony services and 71% in Peterstar (www.peterstar.ru), a major St Petersburg-based ISP.

For the three months ended June 30, 2001, MITI reported a net loss attributable to common stockholders of $27m, or $0.29 per share, 32.3% worse than a $20.4m loss reported in 2Q 2000, on consolidated revenues of $77.6m, down 8.8% from revenues of $85.1m for 2Q 2000. For the six months ended June 30, 2001, MITI reported a net loss attributable to common stockholders of $54.7m, or $0.58 per share, 34% worse than $40.6m, or $0.43 per share reported in 1H2000. Consolidated revenues were $164.4m, 1.3% less than $166.5m revenues reported in 1H2000. The results for the three and six months ended June 30, 2000, included a pre-tax gain of $2.5m representing the gain realized on buyout of options to acquire an indirect interest in Telecominvest, a holding company with diverse telecom interests in northwest Russia.

The Company had 825,777 subscribers at June 30, 2001, which represented an increase of 5% from total subscribers on June 30, 2000. The total subscriber figure includes subscribers of Comstar, in which the Company acquired a 50% interest in December, 2000 and excludes the subscribers of Baltcom GSM, in which the Company sold its interest in October 2000, and subscribers of the majority of the paging group, on which the Company no longer reports. Total combined revenues increased 9% to $145.4m for the first six months of 2001 compared to the same period last year. EBITDA decreased slightly to $29.7m for the six months ended June 30, 2001 compared to $31.2m for the same period of 2000. The Company reported an operating loss of $21.3m

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for six months of 2001 compared to an operating loss of $15.1m for the same period last year.

Comstar generated 2001 revenues of $33.2 m and operating income of $3.9m as compared to 2000 revenues of $30.3m and operating income of $2.3m. Comstar's results were favorably affected in 2001 by increased business customer lines as compared with 2000. MITI has been recording its equity share of Comstar's results since December 1, 2000. Comstar generated revenues of $16.5m and operating income of $1.8m for the three months ended June 30, 2001 compared to revenues of $15.7m and operating income of $1.5m for the same period of 2000.

In the first six months of 2001 PeterStar generated revenues of $23.7m as compared to $26.9m in the same period in 2000. The reduction is due primarily to the loss of revenue in 2001 from processing of transit traffic for St Petersburg's mobile telephony operators following a decision of Telecominvest, the holder of a 29% equity stake in PeterStar, to switch Peterstar mobile traffic to its own mobile network Petersburg Transit Telecom. Peterstar revenues for the three months ended June 30, 2001, amounted to $11.8m as compared to revenues of $13.9m generated in the same period in 2000.

MASMI Research Ltd. buys Poll4All project from AYAXI

MASMI Research Group (www.masmi.com), a London-based research company for social and marketing research, announced that it purchased Poll4All (www.poll4all.com), an online polling software application, from AYAXI (www.ayaxi.com), a Russian web integration company.

Poll4All is designed for SME business customers who have a web site and are interested in organizing online polls for their website visitors or email subscribers but lack in-house web programmers and marketing analysts to develop online questionnaires and polling tools. Poll4All charges $20 per poll to these customers, claiming that it has a number of advantages over its free alternatives.

Although the deal amount was not disclosed, the value of the project is unlikely to be high as Poll4All does not offer a compelling value proposition for target customer group, since a majority of SME companies with websites usually have an in-house web site developer capable of replicating a relatively simple web technology, also there are a great number of online poll scripts freely available on the web. Online polls and questionnaires have long become a standard interactive feature of most up-to-date corporate web sites. Formulating questions for online polls is also likely to be more focused when done by the in-house marketing staff rather than by third-party polling experts.

According to Sergei Kolobanov, Head of MASMI Research Group, Poll4All will compliment his company's current product and service mix offered to international clients.

$1.9bn budget approved for Russian school computerization program

The Russian government has tentatively approved an R56bn (about $1.9bn) budget for a five year computerization program of Russian schools, colleges and universities. 29% of the amount is to be funded from the federal budget, 40% from local budgets and 31% from other sources.

According to the Russian Minister of Education, to date there is one modern PC per 500 students in Russia, which is 33 to 50 times worse than in Europe where there is one modern PC per 10-15 students. The program should improve the current PC penetration level in Russian schools to 1 modern PC per 80 high school students, or 12 PCs per average city high school with 1000 students. The program also targets connecting all Russian universities, 75% of technical colleges and 50% of high schools.

The preference in future PC supply tenders is likely to be given to Russian system integrators who assemble computers from imported components (so called "red assembly") as local manufacturers are usually the preferred choice for state-budget-funded hardware supply tenders. "Red assembly" is considered more economical in terms of both acquisition and maintenance costs as compared to the acquisition of recognized western PC brands. However, major western PC manufactures, such as Dell Systems, are waiting to see the final conditions for the PC supply tenders before they give up hopes to win part of the PC supply contracts for the Russian school computerization program.

According to the Russian Ministry of Industry and Science, Russian PC makers assembled 1.2 million PCs in 1999, while in 2000 the total Russian PC market size totaled $1.4bn, of which about 80% was "red assembly".

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