RMG
RYE, MAN & GOR SECURITIES

MARKET WEEKLY

479 – 15 June 2004

Market Wrap

The RTS Index gained 30 points from Monday to Wednesday last week, but lost them all by Friday as traders rushed to take profits ahead of the long weekend for Russian Independence Day. The Index closed at 566.83, down 0.1% from a week earlier.

The collapse at the end of the week was also due to signs of a rapid dénouement at Yukos, possibly involving bankruptcy or surrender of control by main shareholders, both of which will dent Russia's fragile image as a place worth investing. Yukos itself rose a little at the start of the week , as speculators found the 100% discount to recent price levels hard to resist. But the stock was a net loser over seven days, falling by 7% to stand at $7 by the weekend.

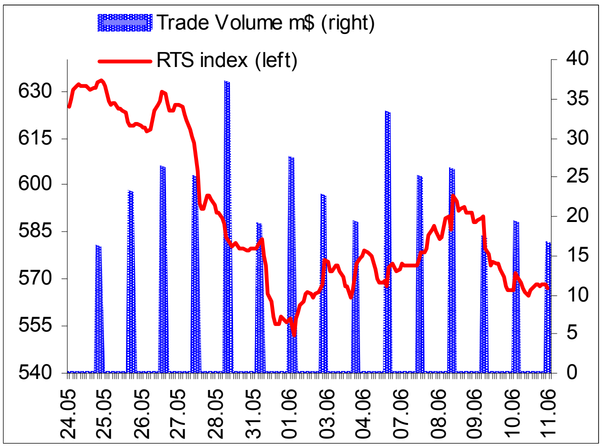
UES supported the market, gaining 0.8% with the largest trading volumes. But signs that the Russian premier remains uncertain about the mechanism for WGC auctions prevented any stronger growth by the power holding.

Lukoil fell by 1.2% last week, despite news of contacts with ConocoPhilips, which may go as far as purchase of a blocking stake by the US company. The current situation at Yukos makes such a deal look unlikely. But Lukoil is worth watching due to adjustment of the system for RTS Index calculation from July 1: use of free float as the main criterion for weighting by companies will make Lukoil a driving force on the market.

Surgut rose 1.1% last week and Sibneft was the best oil stock, gaining 2.5% after Yukos confirmed that it is in the process of returning shares, bought from Sibneft owners last year.

Norilsk was the best blue-chip performer last week, climbing 13.6% as declassification of metal reserves encouraged investors to correct recent price falls due to lackluster financials.

RTS Index & Volume



Key Figures

RTS Index	566.83	-0.12%
RTS Volume ($m)	101.91	-14.63%
Ruble / Dollar	29.04	
Int'l Reserves (Jun 4)		$85.6b

Weekly data Fri-Fri.

Top Volumes ($m)

RAO UES com	31.0	30.4%
Lukoil com	22.9	22.4%
Norilsk Nickel com	14.5	14.2%
Yukos com	14.0	13.7%
Surgutneftegaz com	4.8	4.7%
Sberbank com	2.8	2.8%
Rostelecom com	1.3	1.3%
Total (Top 7)	91.3	89.5%

Winners

GMK Norilsk Nickel com	+13.6%
Orenburgneft pref.	+5.3%
Rostelecom pref.	+4.6%
Sibneft com	+2.5%
Surgutneftegaz pref.	+1.7%
South Telecom com	+1.4%

Losers

Yukos com	-7.0%
Mechel com	-5.2%
Mosenergo com	-4.5%
Sberbank com	-2.4%
Tatneft com	-2.0%
Rostelecom com	-1.9%

Sector Statistics

Sector Name	Volume $	MC$'000	% of MC	Change -week	Change -month	Change -year
Oil & Gas	44,548,764	92,655,065	56.95%	-0.64%	-4.82%	18.77%
Power Utilities	33,017,047	21,415,672	13.16%	-1.02%	5.47%	31.04%
Metals	15,619,151	17,496,153	10.75%	9.05%	1.87%	98.24%
Telecom	4,747,937	13,088,094	8.04%	0.47%	4.77%	82.76%
Banks	2,882,950	7,608,024	4.68%	-3.25%	11.62%	42.47%
Engineering	678,035	2,847,477	1.75%	-1.44%	-6.45%	56.86%
Others	337,640	3,799,638	2.34%	-12.38%	5.52%	34.18%
Transportation	54,835	1,621,673	1.00%	-0.91%	3.28%	169.70%
Chemicals	20,590	2,002,726	1.23%	-5.50%	-1.73%	295.35%
Retail	n/m	154,591	0.10%	n/m	0.64%	-8.40%
Total	**101,906,950**	**162,689,114**	**100.00%**	**-0.17%**	**-1.12%**	**33.78%**

RYE, MAN & GOR SECURITIES
Posledny Pereulok 17 • 103 045 Moscow • Russia
Tel 7 (501) 258 62 62 • Fax 7 (501) 258 62 26
http://www.rmg.ru/ • e-mail: mailto:rmg@rmg.ru

VIEWPOINT: HIGH NOON FOR YUKOS

This week may well seal the fate of Yukos. On June 18 the Moscow Arbitration Court is due to accept or reject the company's appeal against an earlier decision by the same court, supporting mandatory payment by the company of $3.4b in back tax and tax penalties. If the court rejects the appeal, which looks almost certain, Yukos could be required to pay within days, and be bankrupted due to lack of cash.

In this extreme situation, Yukos has been offered a last-minute middle man in the person of Boris Jordan, who headed Renaissance Capital, Sputnik Funds and helped Gazprom to take Media Most (including NTV) from Vladimir Gusinsky after the latter deserved Kremlin revenge by supporting the nearly successful Primakov-Luzhkov power bid at 1999-2000 elections.

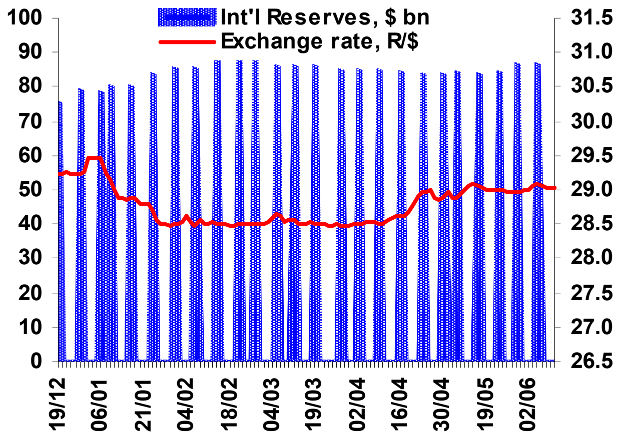
Jordan, who is putting himself forward as a representative of minority interests in Yukos, has followed the example of ex-CBR chief Viktor Gerashchenko, who is stepping into the Yukos conflict as a potential BoD chairman. Like Gerashchenko, he has avoided saying that his role would be to broker a deal, by which Menatep loses ownership of Yukos. But he has not denied this. We see it as the most likely outcome.

The priority for Jordan, Gerashchenko and Yukos management is to avoid bankruptcy. A letter from the company to the government last week proposes sale of assets and referred directly to possible reduction of the Menatep stake to below 25% (blocking level) as a way out of the current impasse.

The attitude of Menatep owners will be decisive in coming days. A $1.6b secured loan to Yukos, provided by Menatep earlier this year, gives the group some trump cards in case of bankruptcy. Solution of that problem, rather than any doubts about effective confiscation of Yukos from current owners, seems to be the only factor, which prevents the Kremlin and various intermediaries from talking more directly about taking Yukos away from Menatep.

Ben Hooson
mailto:rmg@rmg.ru

Economic Indicators



Source: CBR

Key Macro Figures

CBR refinancing rate, %	14	15/01/04
M2, Rbn	3483.5	01/05/04
M0, Rbn	1230.1	01/05/04
CPI, %	0.6	05/2004
Inter'l Reserves, $bn	85.6	04/06/04
One-day MIACR, %	6.95	09/06/04
Exchange rate R/$	29.0337	10/06/04
Exchange rate R/euro	35.5518	10/06/04
OFZ yields, % p.a.	5.78	09/06/04
GKO-OFZ duration, days	1660.52	09/06/04
Eurobonds 05, %	3.56	09/06/04

S&P says hints at investment rating this year

Bloomberg cited a representative of S&P rating agency, who said last week that the agency may grant Russia investment rating by 2004 thanks to progress in tax and foreign debt policies. The S&P specialist pointed out that creation of a stabilization fund at a time of high oil prices was a very good move. The minister of finance Alexey Kudrin said last week that the stabilization fund contained $6.83b (R198b) as of June 1, versus $3.6b (R106b) at the end of 2003.

However, the agency said that Russia needs to work on improving legislation, reinforcing property rights, and restructuring the energy and gas sectors. The S&P specialist said that the Yukos case as not a major factor affecting Russia's rating.

Inflation was 0.7% in May

The State Statistics Committee reported that inflation in May was 0.7% m-o-m versus 1% in April and 0.8% in May 2003. Inflation in January-May 2004 was 5.3% versus 7.1% in January-May 2003.

CPI rose by 0.6% in May and 3.8% in January-May 2004.

Foreign debt down to $166.2b

The Ministry of Finance reported that Russia's foreign debt shrank by $7.3b in January-March 2004 to $116.2b as of April 1. Internal debt grew by $1.45b in the first quarter to $25.35b as of April 1 2004.

Budget surplus was 1.7% of GDP in 1Q04

The federal budget surplus in the first quarter of 2004 was $2.07b (R59.2b) or 1.7% of GDP, according to the Ministry of Finance. Budget revenues were $24.05b, or 7.7% more than the target figure. Budget spending was $21.98b (R629.3b), which was nearly 8% lower than planned.

Central Bank tries to calm bankers

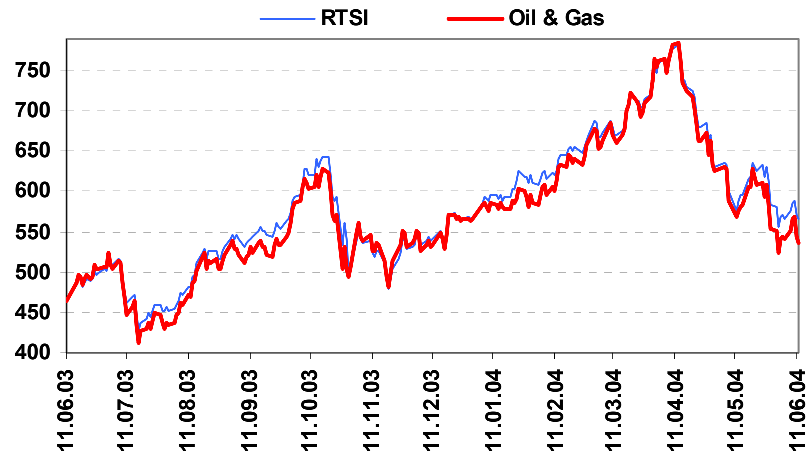
Andrey Kozlov, deputy chairman of the CBR, tried to head off a crisis on the interbank credit market last week, saying that the CBR knows who initiated a liquidity crunch in the sector.

Russian banks cut credit lines last week amidst rumors that the CBR has a blacklist of banks, which have not cooperated with the CBR to combat money laundering. Earlier in May the CBR withdrew the license of SodBusinessBank, and was rumored to be preparing license withdrawal from another institution, CreditTrust.

Vedomosti newspaper reported last week that CreditTrust, which is rumored to have connections with SodBusinessBank, requested a stabilization loan from the CBR and applied for liquidation in order to avoid having its license stripped.

Kozlov said during a meeting with 20 leading Russian banks that CBR will support the banking sector in case of liquidity problems.

Oil & Gas Index vs. RTS Index



Oil & Gas Key Figures

Indicator	Value	Wk Change
Urals ($/b)	32.4	-2.4%
Brent ($/b)	35.49	-0.5%
OIX (CBOE oil index)	341.9	-0.1%
Dow Jones Energy Index	264.5	1.0%
US crude inventory change (EIA data) m bbl	302	0.1%
US gasoline inventory change (EIA data) m bbl	206	1.0%
Tatneft ADR	24.94	-2.5%
Lukoil ADR	105.7	-2.1%
Surgutneftegaz ADR	31.8	1.0%
Yukos ADR	25.55	-17.6%
Sibneft ADR	26.24	-1.6%

Sector Wrap

- Russian oil companies increased crude oil output in January-May
- ConocoPhilips is discussing to buy the government stake in Lukoil, and we guess, that ConocoPhilips wants to buy a blocking stake in Lukoil
- Transneft increased sales and net profit in 2003 under IAS, and the government expressed satisfaction with Transneft results, and particularly with tax payments
- Gazprom reached an agreement with Belarus on gas supplies: Gazprom will supply to Belarus 10.2bcm at $46.68/mcm and will pay $0.75/mcm per 100 km for gas transit through the Beltransgaz system.
- The Gazprom's ADS issue on 4.58% of company shares will only occur after the Russian government reaches a decision on liberalization of the Gazprom share market.
- Yukos made an official statement in Russian press that it is initiating cancellation of last year's share issue, which was used to pay for shares in Sibneft.

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 03E	P/E 03E
LUKoil com	**LKOH**	26.775	-1.2	22.873	22 752.57	16.750	33.500	1.16	6.59
Megionneftegaz com	**MFGS**	16.750	0.9		1 875.95	8.000	20.500	1.96	59.87
Megionneftegaz pref	**MFGSP**	8.350	5.7			3.850	10.200		
Sakhalinmorneftegaz com	**SKGZ**	5.475	-4.8		370.77	5.000	7.000	1.39	11.73
Sakhalinmorneftegaz pref	**SKGZP**	3.300	0.0			3.000	3.000		
Sibneft com	**SIBN**	2.715	2.5	1.062	12 896.34	1.900	3.780	2.16	5.84
Surgutneftegaz com	**SNGS**	0.632	1.1	4.777	25 886.93	0.364	0.790	3.80	15.52
Surgutneftegaz pref	**SNGSP**	0.403	1.7	0.213		0.212	0.498		
Tatneft com	**TATN**	1.245	-2.0	0.230	2 730.62	0.884	1.500	0.57	7.38
Tatneft pref	**TATNP**	0.660	0.0	0.038		0.520	0.820		
Udmurtneft com	**UDMN**	247.500	0.0		637.61	160.000	235.000	1.35	53.13
Udmurtneft pref	**UDMNP**	145.500	0.3			125.000	127.000		
Yukos com	**YUKO**	7.005	-7.0	13.955	18 970.93	6.665	16.300	1.22	4.24

Transneft (HOLD) shows FY2003 highlights under IAS

Transneft (RTS: TRNFP) showed some results for FY2003 under IAS. Sales increased by 19% to $3722m, EBITDA was $1991m (up 19%) and net profit increased by 12% to $996m in 2003. These results are higher our forecast of $3475m sales (7% higher), $1831m EBITDA (up 8%) and $793m net profit (up 20%). Sergei Grigoriev, the Transneft vice-president, said that higher sales were due to an 11.9% increase of throughput and tariff growth by 0.63% in May and 4.75% in July 2003. He also said that increase of net profit by only 12% can be explained by 16% cost growth.

The government, which is the major Transneft shareholder, expressed satisfaction with Transneft results, and particularly with a 27% increase in tax payment by the company to $359m taxes in 2003, but a government official said that company borrowing appeared excessive: long-term debts increased by more than 3.5 times in 2003 to $520m, although short-term debts and the current portion of long-term fell by 3.5 times to $79m. The company explained that in addition to high taxes (the effective rate was 26%) it was forced to increase common dividends in favor of the state.

We keep our HOLD recommendation for Transneft preferred shares.

Transneft FY2003 results (IAS)

	2003, $m	2002, $m	Change, %	2003F, $m
Net sales	3722	3119	19%	3475
EBITDA	1991	1680	19%	1831
-EBITDA margin	*53%*	*54%*	*-1%*	*53%*
Net profit	996	889	12%	793
-net margin	*27%*	*29%*	*-6%*	*23%*

Source: Company data, RMG estimates

ConocoPhilips is interested in Lukoil (HOLD)

According to Vedomosti newspaper, James Mulva, the ConocoPhilips CEO, and German Gref, the Russian ministry of economic development and trade, discussed possible sale of the remaining 7.6% government stake in Lukoil (RTS: LKOH) to ConocoPhilips. The government intends to sell its stake in autumn 2004 by one of there mechanism: placement on foreign stock markets, sale via a money auction in Russia (at which any participant could bid for any amount of shares at any price) and sale of the stake in one lot via auction. The Ministry of Development and Trade prefers the latter option, which is more likely to attract a strategic investor. According to the newspaper, Lukoil management, which officially owns 20.58% of Lukoil, is negotiating with ConocoPhilips to sell shares. The result may be that ConocoPhilips will have a blocking stake (25%) in Lukoil, which will allow the American company to take seats in the Lukoil BoD.

We believe that a foreign strategic will not buy the 7.6% government stake, unless it is confident of extending it to a blocking stake, so that it can take part in company management. In any case it is unlikely that any foreign strategic investor will takes stakes in Russian oil companies until the Yukos affair is resolved. Purchase of a Lukoil stake by Conoco would be positive for the whole Russian stock market.

Lukoil shareholders have been recommended to approve changes to the company charter at the AGM, strengthening the role of independent members of the Lukoil BoD, requiring all deals that concern 10-25% of balance sheet assets to be approved by the BoD, and also requiring a buyer of 30% or more of the company to make a bid to other shareholders no lower than the six-month weighted marked share price before the acquisition date.

A company official said that the changes are intended to put the company charter in line with Russian legislation, but the rules for any buyer of a 30% stake may be evidence of Lukoil shares being made available to a strategic foreign investor in the future.

Gazprom (local shares – BUY) regains control of Stimul

Gazprom increased its stake in Stimul, which operates the Eastern part of Orenburg oil and gas condensate field, by buying an additional 12.8% stake from the Getty family (represented by Victory Oil), increasing the Gazprom stake in Stimul to 51%. The remaining 49% stake was sold by the Getty family to Botichelly Ltd, an offshore, which has a cooperation agreement with Gazprom. According to Vedomosti newspaper, Gazprom bought the 12.8% stake for about $20m. This is positive news for Gazprom as it can now consolidate Stimul reserves and output in its statements.

Gazprom controlled Stimul until its stake was diluted by a new share placement in 2002. Stimul produced 352 000 tons of crude oil and 240 bcm of gas in 2003. The Chinese company, CNPC, earlier tried to buy all of Getty's stake (61.8%) for $200m, but Gazprom was against the deal, and the Russian antimonopoly authorities delayed permission.

Gazprom puts off new ADS issue, sets out acquisitions and revenue plans

Alexander Ryazanov, the Gazprom deputy CEO, said that gas export to non-CIS countries will increase by 5.3% in 2004, and the average export price will be $127/mcm. Gazprom also wants to increase the domestic gas transportation tariff from $0.58/mcm per 100 km to $1/mcm, but we doubt that government approval will be obtained.

Peter Bakaev, the head of Gazprom's financial market department, said that the ADS issue on 4.58% of company shares, which are owned by Dutch subsidiary, Gazprom Finance BV, will only occur after the Russian government reaches a decision on liberalization of the Gazprom share market. This announcement was not unexpected.

Olga Pavlova, the head of Gazprom's property management department, said that Gazprom will pursue acquisition of profile assets in 2004. The company wants to buy stakes in Latvijas Gaze (Latvia), Beltransgaz (Belarus) and to set up a join venture, Sakhagazprom, with the government of Yakutia.

Alexander Dushko, the deputy head of Gazprom's economics and finance department, forecast that Gazprom will show higher-than-expected revenues in 2004 due to growth of gas export prices. But the effect will be canceled out by cost growth, so that net profit be unchanged from 2003.

Yukos (HOLD) and Sibneft (HOLD) may be ordered to put brake on output growth

According to Bloomberg, the Federal Energy Agency (former Energy Ministry) may recommend Yukos (RTS: YUKO) and Sibneft (RTS: SIBN) to slacken growth of output to avoid damage to oil reserves. According to Sergei Oganesyan, the head of the Federal Energy Agency, the companies must prove that higher output is not causing damage to oil fields or risk losing field licenses.

Licensing and approval of development plans are the responsibility of the Natural Resources Ministry, and it is not clear whether the Ministry backs the initiative by the Energy Agency. Also reduction of crude output growth is contrary to Russian energy policy: Russian officials have said that oil companies will increase oil output and export. We therefore doubt that the companies will in fact be ordered to reduce output growth.

Return of Sibneft shares will take five months

Yukos made an official statement in Russian press that it is initiating cancellation of last year's share issue, which was used to pay for shares in Sibneft. Russian legislation allows five months for the share cancellation. However, it is not clear how the process can be completed while all Yukos property, including Sibneft shares, remains frozen by court order.

Interros votes against new Rusia-Petroleum share issue

Interros, which owns a 25.82% stake in Rusia-Petroleum, the license holder at the Kovykta field in East Siberia, voted against a new $44m share issue. Cash paid in for new shares would be used for development of Kovykta in 2004-2005. An Interros official said that Rusia-Petroleum shareholders have already invested large amounts in the project and alternative financing, such as credits, should be used.

Interros has already said that it wants to sell its stake in Rusia-Petroleum, which explains its unwillingness to make new investments. Interros is naturally also opposed to purchase by other shareholders of its rightful part in a new issue, since that would dilute its stake.

Oil companies increased crude oil output in January-May

Surgutneftegaz (RTS: SNGS, SNGSP) increased crude oil output by 10.6% y-o-y to 24.032 million tons and gas output by 4.8% to 6.077bcm in January-May 2004.

RITEK (RTS: RITK, RITKP) increased crude oil output by 25% y-o-y to 1.405 million tons in January-May 2004.

Bashneft (RTS: BANE, BANEP) increased crude oil output by 0.8% y-o-y to 5.018 million tons and gas output by 0.25% to 157.9 mcb in January-May 2004.

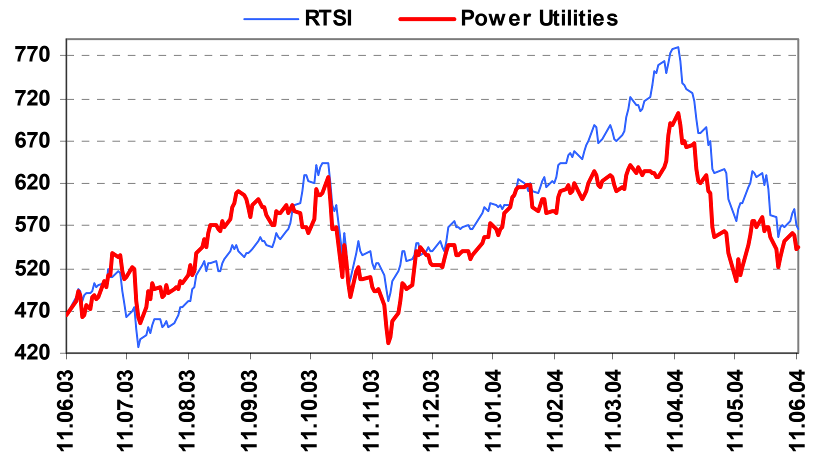
Russia and Belarus strike gas deal

Gazprom reached an agreement with Belarus on gas supplies. Gazprom stopped gas supplies for the Republic's own needs from January 1, 2004, when Belarus increased the price for gas transit to Europe from $0.50 to $1.02/mcm per 100 km without consultation with Gazprom. Belarus has been dependent on other private suppliers of Russian gas since the start of the year.

Under the new agreement Gazprom will supply 10.2bcm at $46.68/mcm, which is significantly cheaper than supplies to Western Europe, but covers Gazprom's expenses. It was also agreed that Gazprom will pay $0.75/mcm per 100 km for gas transit through the Beltransgaz system and $0.46/mcm via the Yamal-Europe gas pipeline, which also runs across Belarus.

A Gazprom official said that supplies to Europe via Belarus are more favorable than via Ukraine since Gazprom does not pay 30% export duty in Belarus, giving a saving of $130m. The latest agreement may be a step towards a deal on Gazprom control of Beltransgaz.

Power Utilities Index vs. RTS Index



Power Utilities Key Figures

Sector indicators: median	Russia	Discount to emerging markets
MC / Net sales	0.63	42%
EV / EBITDA	4.99	4%
MC / Owned inst. capacity	121.08	66%
MC / Retail supplies of elec.	18.86	69%

ADRs of Russian power utilities	Last sale	Wk change
RAO UES	26.800	1.1%
Mosenergo	7.800	-5.7%
Irkutskenergo	10.750	0.0%

Sector Wrap

- There were confusing messages from government last week on the scheme for WGC auctions and transformation of hydro generating assets. PM Mikhail Fradkov again said that no definite decisions have been taken yet.
- The Federal Antimonopoly Service wants control over WGC auction participants to prevent future monopoly in power generating.
- UES reported consolidated 2003 results under RAS showing improvement of all major items.
- The Republic of Khakassia revoked its claim for de-privatization of Sayano-Shushenskaya GES, signaling compromise with UES.
- S&P set a credit rating for the Federal Grid Company, the UES wholly owned subsidiary.
- Siberia-Urals Energy Company reached a deal with UES over Novomoskovskaya GRES (owned by Tulenergo), and will probably support the main restructuring plan for Tulenergo.
- Power utilities continue to report 1Q 2004 results under RAS.
- Power utilities continue to report AGM 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 03E	P/E 03E
Bashkirenergo com	**BEGY**	0.313	0.8	0.050	323.56	0.230	0.398	0.55	24.64
Irkutskenergo com	**IRGZ**	0.200	-0.9	0.688	941.44	0.089	0.240	1.91	
Lenenergo com	**LSNG**	0.585	-30.4		510.18	0.440	0.900	0.59	71.36
Lenenergo pref	**LSNGP**	0.583	-1.7	0.004		0.230	0.650		
Mosenergo com	**MSNG**	0.080	-4.5	0.612	2 219.02	0.055	0.094	0.98	39.32
Permenergo com	**PMNG**	4.475	2.3		184.80	3.700	4.900	0.35	8.59
Permenergo pref	**PMNGP**	3.375	-0.7	0.013		2.100	3.600		
UES com	**EESR**	0.268	0.8	31.017	11 466.80	0.216	0.358	0.62	9.72
UES pref	**EESRP**	0.230	-3.2	0.005		0.203	0.328		
Samaraenergo com	**SAGO**	0.110	-0.9		406.56	0.050	0.124	0.60	10.74
Samaraenergo pref	**SAGOP**	0.080	0.0			0.023	0.085		
Sverdlovenergo com	**SVER**	0.390	-1.3	0.038	231.01	0.250	0.492	0.28	70.21
Sverdlovenergo pref	**SVERP**	0.255	-1.9	0.047		0.285	0.290		

POWER UTILITIES
Alexei Minaev
mailto:minaev@rmg.ru

Government still wavering on power reform

There were contradictory reports last week on government plans for power sector reform. After consultations with deputy premier Alexander Zhukov on June 2, officials announced that hydro power stations may be merged into a single hydro WGC instead of four hydro WGCs as initially planned. The deputy minister for economic development and trade, Andrei Sharonov, said later that such concentration would be logical since the government wants to retain control of hydro generating even in the liberalized market, and management of four separate companies would be less efficient.

Hydro generating will apparently be managed under standardized rules set by the government as controlling shareholder. Since costs of hydro generating are significantly lower than those of thermal generating, prices for hydro electricity will be based on prices of fuel-generated power, which should enable a competitive basis for pricing in the power system, while hydro stations will not compete with each other.

Collection and use of profits of a single hydro WGC would be easier, and the profits could be used for new hydro generating construction projects. Amalgamation of hydro assets in a single company will also remove the threat of unfriendly actions by minority shareholders of hydro stations. Accumulation of a significant stake by minorities in one large hydro WGC would be much more difficult and expensive than in one smaller WGC. Basic Element (owner of the aluminum giant RusAL) looks like the main threat to government control of the hydro sector at present. Base Element has about 70% of Krasnoyarskaya GES, a blocking stake in Boguchanskaya GES (currently under construction) and reportedly a 10% stake in Sayano-Shushenskaya GES. Basic Element apparently aims to control all these hydro assets in the future.

The meeting headed by Zhukov also decided to draw up a government resolution on design of auctions for stakes in fuel-fired WGCs, which would allow use of cash and UES shares at the auctions. The first auction is expected at the end of 2004. Privatization of the government stake in Irkutskenergo was also discussed but no final decision was reached. Sharonov said that it would be better to delay privatization until various corporate and economic issues have been resolved (particularly the question of what to do with dams at Irkutskenergo hydro stations, which are owned by the state and leased by the company).

However Interfax quoted an unofficial government source in mid-week who said that the prime minister Mikhail Fradkov did not sign any of the decisions made at the meeting headed by Zhukov. Fradkov later said that he did not take part in the discussion and has not examined these questions. He also confirmed that he plans to make a final decision on WGC auctions by the end of June, possibly before the UES BoD scheduled for June 25. However, there are rumors that Fradkov will again postpone a decision on WGC auctions, possibly until after the UES AGM on June 30.

Antimonopoly Service wants more transparency in WGC auctions

Monopoly risks in the future power generating system are one of the major reasons for current government revision of the WGC auction scheme (see our new report coming up this week). The Federal Antimonopoly Service (former Antimonopoly Ministry) stated last week that it wants to have detailed information on all participants of WGC auctions yet before they are held, and denies that this will discourage investors from participating in the auctions.

We doubt that antimonopoly policy based on scrutiny of auction participants will be effective since UES strategics, which bought UES shares in order to trade them at WGC auctions, are acting in concert and may mix their bids in order to veil collusion. Their actual interests may only emerge after holding all six auctions.

UES (BUY) reports 2003 consolidated figures under RAS

UES (RTS: EESR, EESRP) published its annual report for 2003 last week, presenting consolidated results for 2003 under RAS (non-consolidated results were shown earlier). Figures are generally positive. Revenues and operating costs both grew by 28%, giving 26% growth of operating profit (operating margin stayed unchanged at 12%). Pre-tax profit grew by a modest 13% as non-operating charges increased by almost four times compared with 2002. However, profit tax payment stayed at the same level as in 2002, which led to 27% net profit growth.

UES consolidated FY 2003 results (RAS)

	FY03, $m	FY02, $m	Change, %
Net sales	23 632.9	18 462.8	28%
CGM & CG&A	20 876.0	16 275.8	28%
Operating profit	2 756.8	2 187.0	26%
- Operating margin	*12%*	*12%*	*-2%*
Pre-tax profit	1 869.4	1 660.0	13%
- Pre-tax margin	*8%*	*9%*	*-12%*
Profit tax	821.2	822.3	0%
- Effective tax rate	*44%*	*50%*	*-11%*
Net profit	1 059.1	832.1	27%
- Net margin	*4%*	*5%*	*-1%*

Source: Company data, RMG estimates

POWER UTILITIES
Alexei Minaev
mailto:minaev@rmg.ru

Khakassia revokes de-privatization of Sayano-Shushenskaya GES (HOLD com, BUY pref)

The government of the Republic of Khakassia revoked its court appeal seeking de-privatization of Sayano-Shushenskaya GES (RTS: SSHG, SSHGP), i.e. its removal from UES ownership and return to direct state ownership. This occurred after UES approved change of the legal address of the power station from Khakassia to the Krasnoyarsk Region. The federal government had supported the UES position in the conflict.

We previously discussed reasons for the conflict between UES and Khakassia over Sayano-Shushenskaya GES. The conflict was due to sharp tariff growth for Khakassia power consumers at the beginning of the year after expiry of a 10-year agreement, which gave low tariffs to regional consumers. The Khakassia government is believed to be acting on behalf of RusAl, whose production facilities consume the bulk of Sayano-Shushenskaya electricity output.

Despite revoking its de-privatization suit, Khakassia is still requesting lower tariff growth in the next few years compared with tariff rises in other regions. UES is reportedly sympathetic to this request and, crucially, UES has promised to not to re-register the legal address of Sayano-Shushenskaya, which would have deprived Khakassia of major budget revenues.

SUEK steps down on Tulenergo restructuring

Siberia-Urals Energy Company (SUEK) gave up its opposition to the restructuring plan for Tulenergo (RTS: TLEN). SUEK reportedly owns 25% of Tulenergo, which was previously controlled by MDM-Group. After liquidation of MDM-Group all its stakes in energos and power stations were transferred to SUEK and the stake in UES was left in MDM-bank. This was a purely formal operation, since owners of SUEK and MDM-bank remained unchanged.

MDM previously wanted to change the Tulenergo reform plan by detaching Novomoskovskaya GRES into a separate company (according to the UES plan, this station should be merged in a TGC along with other Tulenergo generating assets). SUEK'S change of heart may be due to its failure to force a change in the plan, and hopes to obtain favorable restructuring of other energos, in which it has stakes, as a *quid pro quo* for giving way at Tulenergo. In any case UES will be able to push through energo reform plans from January 1, 2005, based on a government resolution, which makes a 51% shareholder vote sufficient for plan approval.

Power utilities continue to report AGM results

Khabarovskenergo (RTS: HBEN, HBENP) AGM on June 7 approved payment of 2003 dividends at R0.017 (0.059 cents) on common and preferred shares. The cut-off date was on April 20. Shareholders elected a new BoD consisting of five representatives of UES, three from SUEK (25% in company share capital) and one representative of regional government.

Shareholders of **Yakutskenergo** (RST: YAEN, YAENP) approved payment of 2003 dividends at R0.0007 (0.002 cents) per common share and R0.0008 (0.028 cents) per preferred share. The cut-off date was on April 23. The company did not report members of the newly elected BoD.

Tulenergo (RTS: TLEN) shareholders approved dividend payment at R0.1 (0.345 cents) per common share for 2003. The new BoD will have six members representing UES interests and three delegates from SUEK (earlier part of MDM-group and still controlled by the same owners).

More utilities report RAS 1Q 2004 results

Kamchatskenergo (RTS: KCHE, KCHEP) reported 15% growth of revenues and 7% fall of operating costs in 1Q04 which led to significant improvement of company financials. Positive results in non-operating lines and moderate tax payments allowed the company to show highest-ever net margin at 20% in the reporting period. However, receivables and payables&debt items are exceptionally high (the latter are three-four times higher than the company's annual revenues).

Kamchatskenergo 1Q 2004 results (RAS)

	1Q04, $m	1Q03, $m	Change, %
Net sales	35.2	30.6	15%
CGM	32.0	34.5	-7%
Operating profit	3.2	-3.9	n/a
- Operating margin	*9%*	*neg*	*n/a*
Pre-tax profit	9.5	-0.9	n/a
Profit tax	2.3	0.2	>1000%
- Effective tax rate	*25%*	*n/a*	*n/a*
Net profit	7.1	-1.1	n/a
- Net margin	*20%*	*neg*	*n/a*
	1Q04, $m	**FY03, $m**	**Change, %**
Receivables	105.1	85.9	22%
Payables and debt	400.9	395.2	1%

Source: Company data, RMG estimates

Dalenergo (RTS: DALE, DALEP) showed marginal change of operating items but major improvement of non-operating items in 1Q04. Pre-tax profit grew by almost seven times due to non-operating improvement, giving extraordinary increase of net profit. Growth of non-operating lines may be due to one-off items.

POWER UTILITIES
Alexei Minaev
mailto:minaev@rmg.ru

Dalenergo 1Q 2004 results (RAS)

	1Q04, $m	1Q03, $m	Change, %
Net sales	109.4	101.4	8%
CGM	96.7	87.3	11%
Operating profit	12.7	14.1	-10%
- Operating margin	*12%*	*14%*	*-16%*
Pre-tax profit	18.8	2.8	575%
Profit tax	5.0	1.1	345%
- Effective tax rate	*26%*	*40%*	*-34%*
Net profit	13.8	1.7	730%
- Net margin	*13%*	*2%*	*669%*
	1Q04, $m	**FY03, $m**	**Change, %**
Receivables	93.6	75.3	24%
Payables and debt	182.3	184.2	-1%

Source: Company data, RMG estimates

Kubanenergo (RTS: KUBE, BUY) revenues grew faster than operating costs in 1Q 2004 giving 275% growth of operating profit and significant improvements in the bottom line. However, net profit was relatively low (net margin was only 1%).

Kubanenergo 1Q 2004 results (RAS)

	1Q04, $m	1Q03, $m	Change, %
Net sales	112.6	91.6	23%
CGM	104.3	89.4	17%
Operating profit	8.4	2.2	275%
- Operating margin	*7%*	*2%*	*205%*
Pre-tax profit	3.5	-0.8	n/a
Profit tax	1.9	-0.9	n/a
- Effective tax rate	*54%*	*n/a*	*n/a*
Net profit	1.7	0.1	>1000%
- Net margin	*1%*	*0%*	*836%*
	1Q04, $m	**FY03, $m**	**Change, %**
Receivables	96.5	86.9	11%
Payables and debt	150.7	145.0	4%

Source: Company data, RMG estimates

Vladimirenergo (RTS: VLEN) showed improvements of all main figures in 1Q 2004: revenues grew by 27%, operating profit by 131%, and net profit was up by almost four times. Receivables grew by 23% but maybe a seasonal effect.

Vladimirenergo 1Q 2004 results (RAS)

	1Q04, $m	1Q03, $m	Change, %
Net sales	55.0	43.1	27%
CGM	47.1	39.7	19%
Operating profit	7.9	3.4	131%
- Operating margin	*14%*	*8%*	*81%*
Pre-tax profit	5.9	2.0	199%
Profit tax	1.9	0.9	108%
- Effective tax rate	*32%*	*46%*	*-31%*
Net profit	4.0	1.1	278%
- Net margin	*7%*	*2%*	*196%*
	1Q04, $m	**FY03, $m**	**Change, %**
Receivables	30.5	24.7	23%
Payables and debt	28.2	27.8	1%

Source: Company data, RMG estimates

Orelenergo (RTS: OREN, ORENP, BUY) results in 1Q 2004 were positive. The company showed 69% increase of operating profit, apparently due to cost cutting, while revenue growth was in line with general trends in the sector. Net profit doubled and net margin grew to 11% from 6% in 1Q 2003.

Orelenergo 1Q 2004 results (RAS)

	1Q04, $m	1Q03, $m	Change, %
Net sales	24.9	21.4	16%
CGM	20.3	18.7	9%
Operating profit	4.6	2.7	69%
- Operating margin	*18%*	*13%*	*45%*
Pre-tax profit	3.4	1.7	102%
Profit tax	0.7	0.4	85%
- Effective tax rate	*20%*	*21%*	*-8%*
Net profit	2.7	1.3	108%
- Net margin	*11%*	*6%*	*79%*
	1Q04, $m	**FY03, $m**	**Change, %**
Receivables	26.2	24.9	5%
Payables and debt	46.7	46.8	0%

Source: Company data, RMG estimates

S&P sets credit rating for Federal Grid Company

S&P set foreign and national currency credit ratings for the Federal Grid Company (FGC) at B with positive outlook. The FGC is a UES wholly owned subsidiary owning high-voltage electricity transmission assets. S&P ratings of UES itself are BB+ stable in foreign currency and BBB- stable in national currency. The FGC rating is restrained by dependence of UES on government policy and also reflects significant capex needs of the company. However, S&P noted that the monopoly position of the company allows it to generate stable cash flows. The agency said that the UES rating may be changed to positive in the near future.

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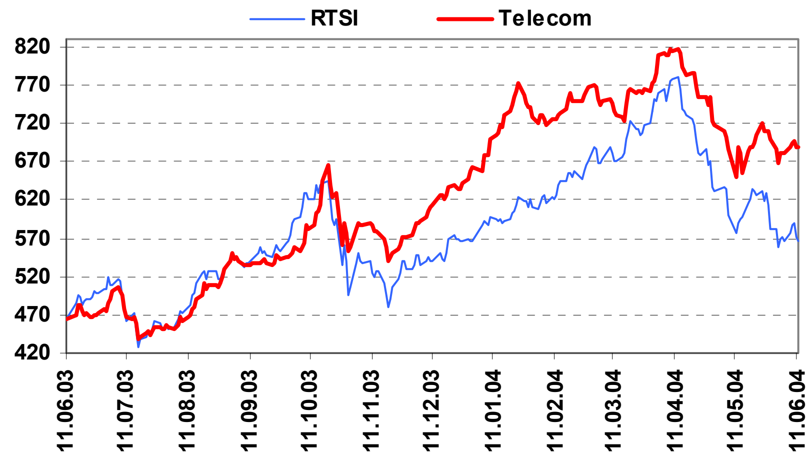
Alexei Minaev
mailto:minaev@rmg.ru

Telecom Index vs. RTS Index



Telecoms Key Figures

Sector indicators: median	Russia	Discount to emerging markets
EV / EBITDA	5.0	11%
EV / Net sales	1.4	25%
EV / Access lines	235	77%
EBITDA / Access lines	48	71%

ADRs of Russian telecoms	Last sale	Wk change
Rostelecom	12.250	-3.7%
MTS	112.01	-3.6%
Vimpelcom	90.390	-1.8%

Sector Wrap

- Telecom Minister Leonid Reiman said that Svyazinvest does not have official confirmation of purchase of Mustcom's stake in Svyazinvest by Leonard Blavatnik.
- BoD of Komisvyaz recommended the AGM to approve 2003 dividends at $0.0088 (R0.2553) per common and preferred share, giving 7.5% and 11% yields respectively, the highest yield offered for 2003 by Russian telecoms.
- AGM of Central Telegraph approved dividends at $0.0068 (R0.195835) per preferred and $0.0024 (R0.070272) per common share, giving 8% and 1% yields respectively.
- Vimpelcom placed $250m of five-year Eurobonds at 10% coupon rate.
- Center Telecom presented a development strategy for Rosnet, which Center Telecom is acquiring in line with plans to increase the share of VAS revenues.
- Ukrainian prosecutors filed a court claim to outlaw MTS purchase of UMC.

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 03E	P/E 03E
Center Telecom com	**ESMO**	0.353	0.6	0.245	681.17	0.276	0.447	1.00	13.90
Center Telecom pref	**ESMOP**	0.264	-0.1	0.015		0.185	0.330		
Dalsvyaz com	**ESPK**	1.075	-0.5		126.52	0.775	1.390	0.57	16.87
Dalsvyaz pref	**ESPKP**	0.870	-5.7			0.526	1.070		
Moscow City Telephone com	**MGTS**	13.900	-0.2		1 248.53	7.000	15.000	2.12	19.82
Moscow City Telephone pref	**MGTSP**	9.850	-0.5	0.018		4.150	12.000		
North West Telecom com	**SPTL**	0.508	0.9	0.372	442.35	0.351	0.680	1.05	16.38
North West Telecom pref	**SPTLP**	0.354	-1.4	0.420		0.218	0.441		
Rostelecom com	**RTKM**	2.080	-1.9	1.322	1 858.08	1.500	2.650	1.69	7.26
Rostelecom pref	**RTKMP**	1.475	4.6	0.371		1.080	1.780		
Siberia Telecom com	**ENCO**	0.046	-1.1	0.680	679.26	0.027	0.054	0.99	13.59
Siberia Telecom pref	**ENCOP**	0.038	0.1	0.006		0.019	0.044		
South Telecom com	**KUBN**	0.089	1.4	0.345	327.12	0.083	0.122	0.72	8.84
South Telecom pref	**KUBNP**	0.071	-6.9	0.007		0.058	0.092		
Ural Svyazinform com	**URSI**	0.038	0.3	0.114	1 400.15	0.021	0.045	1.80	22.58
Ural Svyazinform pref	**URSIP**	0.024	1.1	0.202		0.014	0.029		
Volga Telecom com	**NNSI**	2.875	1.8	0.086	861.70	1.765	3.450	1.60	13.46
Volga Telecom pref	**NNSIP**	1.950	-1.4	0.504		1.160	2.490		

Leonid Reiman comments on new Svyazinvest shareholder

Telecom Minister Leonid Reiman in an interview to Bloomberg said last week that Svyazinvest has not received official confirmation of sale by George Soros of 25% plus one share in Svyazinvest to Leonard Blavatnik. It has been reported that Soros sold the stake to Blavatnik, the head of Access industries and a co-owner of TNK-BP, in April 2004 for $625m.

However, Valery Yashin, the head of Svyazinvest holding, said in an interview to Reuters the previous week that recent change in the ownership structure of Svyazinvest will be positive for efficiency of holding companies.

Reiman said that the holding may have confirmation of the sale before the Svyazinvest AGM at the end of June.

Reiman also said that the future of the government's remaining 75% minus one share stake in Svyazinvest has not been decided yet, but a sale may be held as early as this year.

Komisvyaz (BUY) recommends dividends

The BoD of Komisvyaz (RTS: SVZK, SVZKP) recommended the AGM, scheduled for June 25, to approve 2003 dividends at $0.0088 (R0.2553) per common and preferred share, giving yields of 7.5% and 11% respectively, which are the highest offered by Russian telecoms for 2003. The company is thought to have doubled net profit y-o-y to $7.8m in 2003. Dividends for 2002 were $0.0014 per common and $0.0407 per preferred share. The company is due to merge with North-West Telecom in 2004. The register closure date was May 10.

Central Telegraph AGM approves dividends

The AGM of Central Telegraph (RTS: CNTL, CNTLP) approved dividends at $0.0068 (R0.195835) per preferred and $0.0024 (R0.070272) per common share, representing 8% and 1% yields. The preferred yield is the second largest among Russian telecoms after Komisvyaz. The register closure date was April 19.

Vimpelcom (BUY) places Eurobonds

Vimpelcom (NYSE: VIP; RTS: VIMP) placed $250m of five-year Eurobonds at 10% coupon rate. The coupon rate makes the bonds more expensive for the issuer than earlier MTS issues, due to the current unfavorable situation on the bond market. Vimplecom indicated that it needs the funds urgently in order to fund development. The company had planned to place $300m of Eurobonds in April, but postponed the issue hoping for an improvement of market conditions.

Center Telecom (HOLD) plans Rosnet development

Center Telecom (RTS: CNTL; CNTLP) met with analysts last week to present its strategy for development of Rosnet, an altnet, which Center Telecom acquired at the beginning of 2004 as part of plans to increase the share of value-added revenues. Rosnet operates mostly in the Center Telecom operating area, but also has infrastructure in other regions, including the Far East. Rosnet has operating licenses for almost all Russian regions, including LD licenses for Moscow and St. Petersburg, although it has not developed them yet due to capex shortage.

Rosnet generated $25m sales (equal to 4-5% of consolidated Center Telecom revenues) last year. It showed EBITDA of $4.8m and 19% EBITDA margin.

Center Telecom plans to merge its five altnet subsidiaries, including Vladimir-Teleservice and TverTelecom with total turnover of $6m, to Rosnet.

Center Telecom is targeting increase of its share on the valued-added market in its license area to 75% by investment of $22m in Rosnet in 2004.

We view consolidation of altnets under the Rosnet brand as positive move. However, Rosnet's EBITDA margin is relatively low in comparison with Golden Telecom (about 30%), and may pull down Center Telecom's EBITDA margin in 2004.

MTS (HOLD) may lose Ukrainian subsidiary

Mass media reported last week that the Ukrainian Prosecutor's Office filed an action in a local court claiming that purchase of the mobile company UMC by MTS was invalid. According to prosecutors, Ukrtelecom lacked authority to sell assets with balance sheet value exceeding 14 000 euros.

MTS bought 51% of UMC from Ukrtelecom in 2001 for $172m and then bought 16.3% from Dutch KPN and another 16.3% from Deutsche Telecom for $55m each. In 2003 MTS completed acquisition of UMC by purchasing the remaining 16.3% from TDC. UMC's subscriber base is 4.4 million. The total subscriber base of MTS, including UMC, is 22.2 million. The UMC share in total sales of MTS is expected to be 16% in 2004.

We think that the step by prosecutors is linked to planned privatization of Ukrtelecom, which is less attractive without mobile assets. The development indicates a poor business environment in Ukraine.

MTS shares dropped by 7% and Vimpelcom lost 4% after the announcement.

Norilsk Nickel (BUY) reveals copper and nickel reserves

Norilsk Nickel (RTS: GMKN) revealed its copper and nickel reserves in its annual report. The figures were in line with market expectations. The company revealed reserves of three deposits, Talnakhskoe, Oktyabrskoe and Zhdanovskoe. The company has another nine deposits, whose reserves remain a secret, but we believe that the three reported fields have 80-90% of total Norilsk reserves. The reserves were audited by Micon International under JORC (joint ore reserve classification) standard, which is becoming the international benchmark. Proved and possible reserves are 6.64 million tons of nickel and 9.72 million tons of copper. At the current level of output, Norilsk has reserves for 20-30 years. Explored and indicated reserves are 8.15 million tons of nickel and 15.77 million tons of copper.

The published figures are evidence of Norilsk's competitive advantage: Inco (the second largest nickel producer) has proved and possible reserves of 5.8 million tons of nickel and 3.2 million tons of copper, and Falconbridge reserves are 1.4 million tons of nickel and 9.25 million tons of copper. Publication of the reserves is positive for Norilsk, but publication of platinoid reserves will be more interesting, as the company produces more than half of world palladium volumes.

Polus wants to increase stake in Matrosov Mine

According to Vedomosti newspaper, Polus, the gold mining subsidiary of Norilsk Nickel, which has united all Norilsk gold assets and now owns a 57% stake in Matrosov Mine, wants to increase authorized capital of Matrosov Mine by 3.5 times via placement of a new share issue. Matrosov Mine will receive $65m from the placement to finance exploration at the Natalkinskoe deposit and construction of new concentrating mill. We guess that minorities will not use their pre-emptive rights and Polus will increase its stake to 90%.

RusAl gives up attempts to buy 65% stake in Alpart

The Bankruptcy Court of Delaware (USA) refused a request by creditors of bankrupt Kaiser Aluminium, which is selling a 65% stake in alumina producer Alpart, to hold a second auction for the stake. We already wrote about RusAl's lack of success in buying a stake in Alpart (see Weekly # 477). Vladislav Solovjev, the RusAL financial director, said that RusAl has given up trying to buy the stake. He said that RusAl has sufficient alumina supplies for ten years n any case, since it is developing Nikolaevsky alumina plant in Ukraine and other capacities in Guinea.

In other news, RusAl expects $4.2b sales in 2004, compared with $4.5 sales in 2003, aluminum output will be 2.616 million tons (up 1%) and alumina output will increase by 2.2% to 3.048 million tons. The company plans to invest $260m in company development in 2004 and the same sum in 2005 versus $160m in 2003. Most of cash will be spent on upgrade of smelting facilities. The company also plans to place no less than $300m Eurobonds in 2005, but a final decision has not yet been made, and RusAl will publish financial statements under IAS before Eurobond issue. The company predicts an IPO in 2008. RusAl is now discussing consolidation of assets, which particular attention to minority shareholders.

Severstal (HOLD) wants to buy Krivorozhstal for $1.2b

The consortium of Severstal (RTS: CHMF), Arcelor and Severstal North America, is ready to pay $1.2b for a 93.02% stale in Krivorozhstal vs. $715m starting price. Severstal, based on its bid, valued Krivorozhstal at $1.29b, implying the following Krivorozhstal multiplies: P/S of 0.92 and P/steel output of $182/ton, Severstal's respective multiplies are 1.29 and $335 per ton. But we think that the high bid price will not give any advantages to Severstal and the stake will be bought by a Ukrainian company.

Government stake in Karelsky Okatysh will be sold

The Property Fund of Karelia will sell its 20% stake in Karelsky Okatysh (Karelia Ore Pellets) (RTS: KARO) via auction on June 23, 2004. The starting price of the stake is about $9m (R263.64m). We value the company at $250-300m, and therefore view $9m for a 20% stake as very modest. We believe that the main contender for the shares is Severstal. The company exports about 38% of its output, which could male it interesting for foreign companies, but the stake is small to attract a strategic investor.

GAZ (HOLD) pays dividends and seeks strategic partner

The shareholders of GAZ (RTS: GAZA, GAZAP) approved R1.01 ($0.03) preferred dividends per share, which implies a payout of 8% of net profit under RAS. According to Nikolay Pugin, GAZ CEO, the company intends to increase its sales by 16% due to vehicle and car kits output growth by 8.2% and reduction of production costs.

Laura Khalitova
mailto: laura@rmg.ru

In other news, Ruspromavto, the shareholder of 68.72% GAZ shares, announced that it intends to buy a new GAZ share issue, which will dilute minority stakes. The Ruspromavto management also said that it will talk to a potential strategic partner, which may be a leading international auto producer, on production of class 'D' cars (GAZ-3115) by the end of 2004. Joint production of vehicles at the Russian auto pant will also be discussed.

Ruspromavto aims to enter the stock market by the end of 2005, since its companies cannot raise credits on favorable terms due to high interest rates. It is assumed that Rusmpomavto will initially sell a small stake on the market. We keep our HOLD recommendation for GAZ shares.

Rostvertol pays dividends

Rostvertol (RTS: RTVL), producer of the Mi helicopter, will pay R0.07 ($0.0024) dividends per common share for 2003, implying 2% dividend yield. The company will spend 19.58% of net profit on dividends. The company also published some financial figures: sales increased by about two times to $128m and net profit more than doubled to $10m. Domestic sales increased by 1.7 times to $33m and export sales grew by 1.5 times to $95m. Rostvertol is slated for inclusion in a new holding, Mi Helicopters, which is due to be set up by the end of July 2004.

Pervouralsk Pipe Plant will pay no dividends

The shareholders of Pervouralsk Pipe Plant (RTS: PNTZ) decided to pay no dividends for 2003 due to $1.95m net loss, compared with $0.76m net profit in 2002. However, the company increased sales by 38% to $145m. The company explained the net loss by increase of round billet prices, large investments and social costs, which totaled more than $3.26m.

Kalina (BUY) recommends dividends

The BoD of Kalina (RTS: KONA) is planning to recommend interim dividends for the first half of 2004 in July and has scheduled an EGM on August 10 to discuss the size of dividends and a new BoD. The register closure date will be June 10. Kalina paid $0.06897 per share for the first half of 2003 and $0.18966 per share for the second half of 2003. Kalina successfully placed an additional share issue in April, increasing its free float from 14% to 32%.

Nevskaya Cosmetika plans IPO

Following Kalina, which carried out an IPO in April, Nevskaya Cosmetika, the second largest Russian producer of cosmetics, tooth paste and detergents (after Kalina), has decided to place shares on local and foreign stock exchanges in 2005.

Nevskaya Cosmetika, based in St. Petersburg, had $81m sales and $5m net profit in 2003 including results of its subsidiary, Baikal Cosmetika. A controlling stake in the company is owned by managers and a blocking stake was purchased by Lenstroymateriali in 2003. The company has promised to reorganize into a publicly traded company by the end of 2004.

Manezhnaya Ploshchad pays dividends

The BoD of Manezhnaya Ploshchad (RTS: MANE) recommended the AGM, scheduled for June 27, to approve dividends of $0.0069 (R0.2) per common and preferred share, giving 2.3% yield at the current mid-market price.

UTair (HOLD) suspends bond issue

UTair (RTS: TMAT) decided to suspend a planned $34m bond issue until July or autumn 2004 due to the unfavorable state of the bond market. The company was aiming to place an issue in May-June 2004 at 14-14.5% yield to the first-year offer.

FESCO (SELL) shows net profit at $9.4m in 1Q04

Far East Shipping (RTS: FESH) reported net profit at $9.4m in the first quarter of 2004 versus a loss in the first quarter of 2003. The company's sales grew by 19% y-o-y in ruble terms to $50m in the first quarter of 2004. Pre-tax profit In the same period was $12.5m versus a negative figure in 2003.

Aeroflot (HOLD) posts 1Q04 RAS results and pays dividends

Aeroflot (RTS: AFLT) posted 1Q04 RAS financials showing $15m net loss versus $4m net loss in 1Q03 due to cost growth outpacing growth of revenues.

The Aeroflot AGM approved 2003 dividends at $0.0148 (R0.43), representing 1.4% dividend yield.

Aeroflot 1Q04 RAS results

	1Q04, $m	1Q03, $m	Change, %
Sales	349	283	23%
CGM	327	255	28%
Gross profit	22	28	-21%
Commercial expenses	22	20	10%
Management expenses	16	16	0%
Operating profit	-17	-10	n/a
Pre-tax profit	-18	-4	n/a
Net profit	-15	-4	n/a

Source: Company data, RMG estimates

OTHER INDUSTRIES
Laura Khalitova
mailto: laura@rmg.ru

Wimm-Bill-Dann (HOLD) posts 1Q04 US GAAP results

Wimm-Bill-Dann (RTS: WBDF; NYSE: WBD) reported 1Q US GAAP results showing 24% y-o-y sales growth in line with expectations. EBITDA improved by 20% due to higher depreciation, though EBITDA margin declined. Costs of sales grew significantly due to higher raw milk prices. Growth of SG&A was mainly due to regional expansion. Net profit fell by 25%. We still think that the company will be able to improve its results in the second half of 2004.

WBD 1Q04 US GAAP results

	1Q04, $m	1Q03, $m	Change, %
Sales	278	224	24%
- Dairy	211	159	32%
- Juice	67	65	4%
- Water	0.6	-	-
Cost of sales	206	158	30%
Selling & distribution expenses	41	32	28%
General & administrative expenses	22	18	22%
Other operating expenses	2	1	97%
Operating income	8	15	-48%
Operating margin	*3%*	*7%*	
EBITDA	26	22	20%
EBITDA margin	*9%*	*10%*	
Financial income & expenses, net	2	-5	n/a
Income before taxes and minority interest	9	10	-4%
Income taxes	3	3	16%
Minority interest	1	0	n/a
Net income	5	7	-25%
Net margin	*2%*	*3%*	
Sales volumes, '000 tons	*391.3*	*374.1*	*5%*
Capex, including acquisitions	*10.8*	*27.4*	*-61%*

Source: Company data, RMG estimates

Laura Khalitova
mailto: laura@rmg.ru