



July 25 –29: UES shares stumble 1%, under-performing the market; GenCo-5 initiates swap with Konakovskaya TPP minorities

Figure 1. UES Performance, Week-to-Date

Date	Last price	Min price	Max price	RTS volume	MICEX volume	ADR volume
	\$			\$ mln	\$ mln	\$ mln
25-July	0.316	0.314	0.317	0	60	3
26-July	0.310	0.310	0.314	9	70	9
27-July	0.310	0.310	0.313	9	75	8
28-July	0.313	0.312	0.315	8	61	8
29-July	0.314	0.314	0.316	3	49	8

Source: RTS

Figure 2. UES Performance vs. Indices

	Close July 29	Change, %			High 52 weeks	Low 52 weeks
		WTD	MTD	YTD		
UES, \$	0.3138	-1.0	4.1	10.1	0.330	0.228
RTS	779	1.1	10.3	26.8	784	531
MSCI EM Utilities	173	0.6	5.4	15.6	174	114
MSCI World Utilities	104	1.2	1.3	7.4	104	82
DJIA	10,641	-0.1	3.6	-1.3	10,984	9,708

Source: Bloomberg

UES Catalysts: Review and Preview

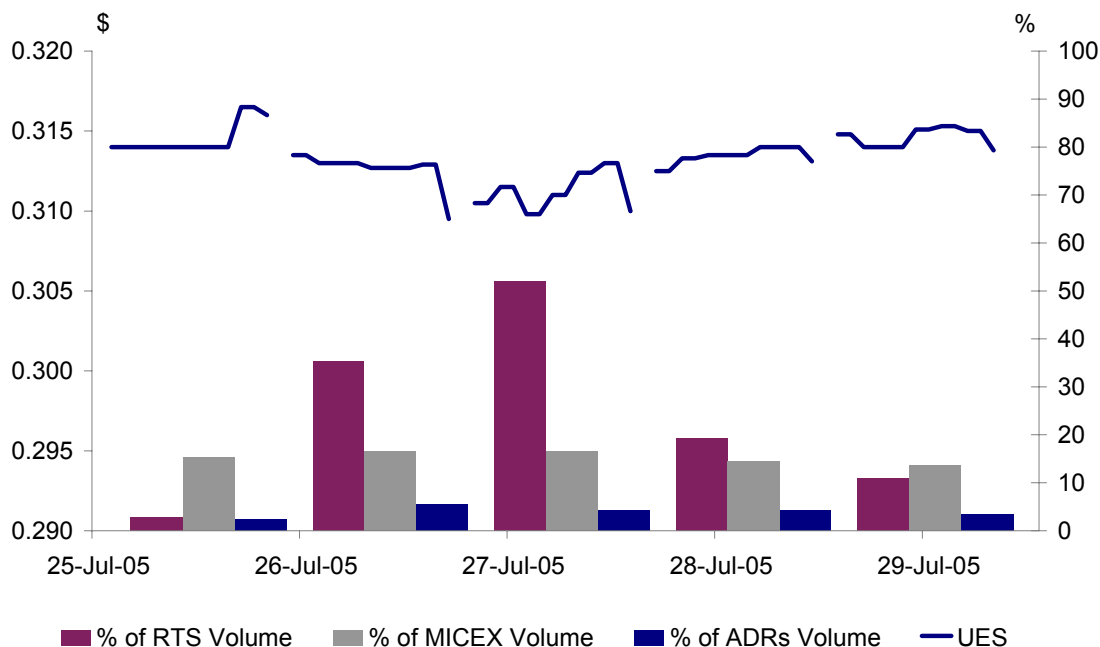
Reorganization of AO-energos

- July 27: 6 Companies organized on the basis of Kamchatskenergo branches complete registration
- August 1: State registration of new companies spun off from Omskenergo expected on August 1, 2005

July 25 – July 29, 2005

- MON: GenCo-5 offers share-swap to Konakovskaya TPP minorities
- TUE: FST determines boundaries for electricity tariffs in 2006
- THU: UES Committee approves establishment of Moscow Management Energy Grid Company on parity basis with Moscow Government
- FRI: Board of directors holds meeting

Figure 3. UES Performance, WTD



Source: RTS, Bloomberg

Figure 4. Weekly Update Contents

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Events of the Week

UES shares stumble 1%, under-performing the market; GenCo-5 initiates swap with Konakovskaya TPP minorities

In the last week of July the Russian equity market neared (but failed to reach) its historic maximum. Over five trading days (from July 25-29) the RTS climbed 1.1% to close on Friday at 778.93 pts. MICEX added 0.80% to finish at 700.65 pts. Investor activity was higher than average, with daily volumes of trade on the RTS fluctuating in a range of \$17.0-44.6 mln.

On the first day of the week the market was propelled forward by Sberbank shares: commons rose by 4.9% on the RTS, while prefs were up 3.1%. Analysts say that the high demand for Sberbank was connected to the receipt by United Financial Group (UFG) of permission to sell a significant number of Sberbank shares to foreign investors.

On Wednesday Sibneft's board of directors announced the registry date (July 27) for its shareholders meeting, at which shareholders will decide the question of paying 2004 dividends. This announcement on July 27 drove the share price up by 3% on MICEX. By the next day, the company's shares were no longer traded with a dividend premium, and consequently sank by more than 7%, making Sibneft the week's loss-leader (-6.6%).

On Thursday oil company shares (specifically LUKoil and Surgutneftegaz) became engines for market growth. In addition to the high oil prices on global markets, LUKoil shares received more positive news when the US company ConocoPhillips announced its intention to raise its stake in the Russian oil major to 20% (currently ConocoPhillips has a stake of about 12.6%). As a result, trading activity in LUKoil shares more than doubled on Thursday; of the daily volume of RTS trade of \$44.6 mln, LUKoil shares accounted for \$18.1 mln.

Market participants continued to make long bets as trade opened on Friday. However, without support from foreign investors, long plays quickly lost momentum, and in the second half of the day, domestic players took profits. Meanwhile, the end-of-the-month factor led the volume of free ruble liquidity to fall sharply as banks and financial companies closed their balance sheets.

The price of UES shares declined by 1% over the course of the week to close on Friday at \$0.3138, versus \$0.3170 on July 22. In sector reform news, GenCo-5 began the procedure for transitioning to a single share when it proposed on Monday to swap shares with Konakovskaya TPP minorities until August 26. The terms of the swap stipulate 1 share in Konakovskaya TPP for 19 shares in GenCo-5. GenCo-5's transition to a single share is scheduled to finish in 3Q05, and its reorganization via mergers is expected in 1Q06.

In UES corporate news, the UES board of directors approved on Friday June 29 the establishment of a company for the management of Moscow's energy network assets on a parity basis with the Government of Moscow. Among other matters considered by the board at that meeting, analysts reflect positively that portfolio investors managed to maintain their representation both in the new compositions of board committees, as well as in the chairmanship of the Committee on Strategy and Reform.

Figure 5. UES Share Price Performance, Last Week

Date	Last price	Daily change	Min. price	Max. price	RTS Volume	MICEX Volume	ADRs Volume
	\$	%	\$	\$	\$ mln	\$ mln	\$ mln
25-July	0.316	-0.3	0.314	0.317	0	60	3
26-July	0.310	-2.1	0.310	0.314	9	70	9
27-July	0.310	0.2	0.310	0.313	9	75	8
28-July	0.313	1.0	0.312	0.315	8	61	8
29-July	0.314	0.2	0.314	0.316	3	49	8

Sources: RTS, Bloomberg



Figure 6. Reorganization of AO-energос

Date	Event	Action on Investor Relations
July 27	<p>SIX COMPANIES ORGANIZED ON THE BASIS OF KAMCHATSKENERGO BRANCHES COMPLETE REGISTRATION</p> <p>The six new companies organized on the basis of branches of Kamchatskenergo have completed their registration with the authorities. Kamchatskenergo was the only founder of the above companies.</p> <p>Kamchatsky CHPs based on the generating facilities of the Company's branches, CHP-1 and CHP-2; Central Electricity Grids based on the Company's branch, Central Electricity Grids; Southern Electricity Grids of Kamchatka based on the Company's branch, Southern Electricity Grids; Pauzhetskaya GeoPP based on the Company's branch, Geothermal Energy; Auto Transport Enterprise based on the Company's branch, Kamchatskenergospetsremont; Kamchatskaya Heat Transmission Company based on the heating networks of the Company's branch, CHPP-2.</p> <p>The restructuring plan of Kamchatskenergo was adopted by the Board of Directors of UES on March 25, 2005. The Company will be reorganized in accordance with an individual restructuring plan, different from the basic one. The peculiarities of the restructuring plan of Kamchatskenergo are due to the fact that its energy system is isolated.</p> <p>In addition to the establishment of the above companies, the plan provides for reorganization of Southern Electricity Grids (wholly-owned subsidiary of Kamchatskenergo) through its merger with and into Southern Electricity Grids of Kamchatka.</p> <p>The Board of Directors resolved to transfer the shareholdings in the above companies and shares of Southern Electricity Grids into trust management of Far Eastern Energy Management Company, which will also be authorized to act as the CEO of these companies, except for Auto Transport Enterprise.</p> <p>The Board of Directors of UES also approved the lease of the property of Central Electricity Grids, at the first phase of the restructuring, to Kamchatskenergo and preservation of the Regional Dispatch Authority as part of the regional energo due to the isolated character of the region's energy system.</p>	
August 1	<p>STATE REGISTRATION OF NEW COMPANIES SPUN OFF FROM OMSKENERGO EXPECTED ON AUGUST 1, 2005</p> <p>State registration of the following three new companies to be spun off from Omskenergo in accordance with the basic restructuring plan is scheduled for August 1, 2005:</p> <p>Omsk Electricity Generation Company;</p> <p>Omsk Management Company;</p> <p>Omsk Energy Retail Company.</p> <p>The state registration procedure was completed by 155 new companies created as a result of restructuring of 40 subsidiaries of UES: Arkhenergo, Astrakhanenergo, Belgorodenergo, Bryanskenergo, Vladimirenergo, Voronezhenergo, Volgogradenergo, Dagenergo, Ivenergo, Kalugaenergo, Karelenegero, Kirovenergo, Kostromaenergo, Kurskenergo, Lipetskenergo, Marienergo, Mordovenergo, Mosenergo, Nizhnovenergo, Novgorodenergo, Oryolenergo, Orenburgenergo, Penzaenergo, Permenergo, Pskovenergo, Rostovenergo, Ryazanenergo, Sverdlovenegero, Smolenskenergo, Stavropolenergo, Tambovenergo, Tverenergo, Tomskenergo, Tulenergo, Tyumenenergo, Udmurtenegero, Khakasenergo, Chelyabenergo, Chuvashenergo, and Yarenergo.</p> <p><i>Full information regarding timetable and terms of AO-energo's reorganization process is published on websites: www.rao-ees.ru/en/, rao-ues.rustocks.com, www.rts.ru, www.micex.ru</i></p>	



Figure 7. UES – Corporate Events, July 25 – July 29, 2005

Date	Event	Action on Investor Relations
July 25	<p>GENCO-5 OFFERS SHARE-SWAP TO KONAKOVSKAYA TPP MINORITIES</p> <p>GenCo-5 has proposed a deal in which Konakovskaya TPP's minority shareholders would exchange their stakes for shares in GenCo-5. The proposal expires on August 26. The coefficient of exchange will be 19 common shares in GenCo-5 for 1 common share of Konakovskaya TPP. Under these conditions, 100% of Konakovskaya TPP shares amounts to about 25.4% of GenCo-5.</p> <p>The coefficient is based on estimates of GenCo-5's and Konakovskaya TPP's share values undertaken by a consortium of independent appraisals, including Pacholi Auditing Company, the Center for Professional Auditing, and Co-Invest. Alfa Bank and Merrill Lynch International have endorsed the consortium's findings.</p> <p>GenCo-5 comprises Refinskaya, Sredneuralskaya, Nevinnomysskaya, and Konakovskaya TPPs. According to plans ratified by UES's board of directors, GenCo-5 will complete its transition to a single share by exchanging company shares (2,867,569,973 common shares) for minority shareholders' stakes in Konakovskaya TPP, after which Konakovskaya TPP and Nevinnomysskaya TPP will be merged into GenCo-5. The transition to a single share is to be finished by 3Q05, with merging of the energy stations to complete by the beginning of 1Q06.</p>	
July 26	<p>FST DETERMINES BOUNDARIES FOR ELECTRICITY TARIFFS IN 2006</p> <p>The Federal Service on Tariffs ("FST") has confirmed its limits on electricity and thermal energy tariffs in 2006. Tariffs on electric energy in 2006 will grow no faster than the planned rate of inflation, and should rise by 7.5% on average and by 25% for households. According to the FST, the minimum growth in tariffs on households will be 15%, exceptions being situations in which a cross-subsidy problem must be resolved or in which higher tariffs would lead to negative social consequences. The proposed growth rate for household tariffs should allow the government to eliminate cross-subsidies in 2-3 years.</p> <p>The tariffs growth rate was calculated according to regional energy companies' planned expenditures in 2005 (confirmed by regional regulatory agencies), judgments about the fair allocation of energy to consumers, and the emergence of other factors that have not directly influenced the growth in expenditures by energy suppliers. The FST's efforts to control growth in tariffs was approved by the Russian government on June 16, 2005 as part of broader plans for Russia's socio-economic development in 2006-2008.</p>	
July 28	<p>UES COMMITTEE APPROVES ESTABLISHMENT OF MOSCOW MANAGEMENT ENERGY GRID COMPANY ON PARITY BASIS WITH MOSCOW GOVERNMENT</p> <p>UES's Committee on Strategy and Reform has recommended that the company approve the creation of Moscow Management Energy Grid Company ("MUEK") on a parity basis with the Government of Moscow. MUEK's charter capital will be R150,000 divided into 150,000 common shares with par value of R1 per share. These shares will be distributed between UES and the Moscow government on a parity basis.</p> <p>MUEK should execute the functions of executive organs of Moscow Unified Energy Company (100% owned by Moscow), Moscow City Electricity Network Company (50.86% owned by UES) and Moscow Heat Network Company (50.86% owned by UES). Moscow Unified Energy Company ("MOEK") was created to consolidate the city's distribution network assets. The company's charter capital is R2.789 bln. Moscow City Electricity Network Company and Moscow Heat Network Company were spun off from Mosenergo during the reorganization process.</p> <p>The UES Committee also approved a plan for the partition of Kubanenergo's grid assets, and considered a project for reforming the utilities sector in the Far East.</p>	
July 29	<p>BOARD OF DIRECTORS HOLDS MEETING</p> <p>UES's board of directors held its regular meeting. The board noted the report on the activities of the Management Board of the Company in 2Q05 and approved the work plan for the next quarter and the list of issues to be considered at Board meetings in years 2005-2006. The board approved the combination of positions on the management bodies of other organizations by some members of the Management Board of UES.</p> <ul style="list-style-type: none"> - UES's board approved the appointment of new members of Committees under the board. Rotation of members of the Committees is due to the election of a new board of directors of UES on June 29, 2005 as well as staff changes in the federal executive authorities. - The board noted the progress report on implementation of the Agreement between UES, Mosenergo, the Moscow City Government and the Regional Energy Commission of the city of 	



Moscow "On Interaction in the Course of Reform of the Electricity Energy Complex of the City of Moscow". The board of directors approved the provisions of the Memorandum between UES and the Moscow City Government on the implementation of goals and tasks established by said Agreement. In order to ensure reliable and efficient operation of the electricity and heating facilities in Moscow, the parties decided to establish, on a parity basis, a joint management company – Moscow Management Energy Grid Company (MUEK).

- The board heard a report on the peculiarities of unbundling of transmission grids of Kubanenergo in the course of the company's reorganization. The board made changes to the Restructuring Plan of Kubanenergo approved October 31, 2003. These changes provide for the spin-off of Kuban Transmission Grids in the course of reorganization of Kubanenergo. In accordance with the separation balance sheet, the power grid facilities relating to the Unified National Energy Grid (UNEG) will be transferred to this spun-off company, as well as part of the accounts payable by Kubanenergo to UES FGC.

- The board approved the transitional model for functioning of TGC-6. The model provides for transfer of the functions of the one-man executive body (CEO) of Vladimir Generation Company, Ivanovo Generation Company, Mordovia Generation Company, Mordovia Heat Network Company, Nizhny Novgorod Generation Company, and Penza Generation Company to TGC-6 for the period until the merger of the Regional Generation Companies (RGCs) into TGC-6.

- The board, performing the functions of general meetings of shareholders of the six thermal wholesale generation companies (GenCos), elected the Auditing Commissions and approved the internal regulations governing the activities of the companies' management and control bodies. The board approved the appointment of PricewaterhouseCoopers Audit as Independent Auditors for all six thermal GenCos.

- The board also approved early termination of the powers of the members of the board of directors of GenCo-5 and elected new board members. This decision was taken in connection with the resignation of Mikhail Abyzov as member of the board of directors of GenCo-5 and member of the Management Board and Managing Director of UES, and his deputy, Alexander Negomedzianov.

- The board approved the proposed additions to the model for establishment of Territorial Generation Company No. 13 (TGC-13). The additions to the model for establishment of TGC-13 provide for the merger of Khakassian Generation Company with and into Krasnoyarskaya Generatsiya. Until the merger is completed, it is planned to transfer the powers of the one-man executive body (CEO) of Khakassian Generation Company and Krasnoyarskaya Generatsiya to TGC-13.

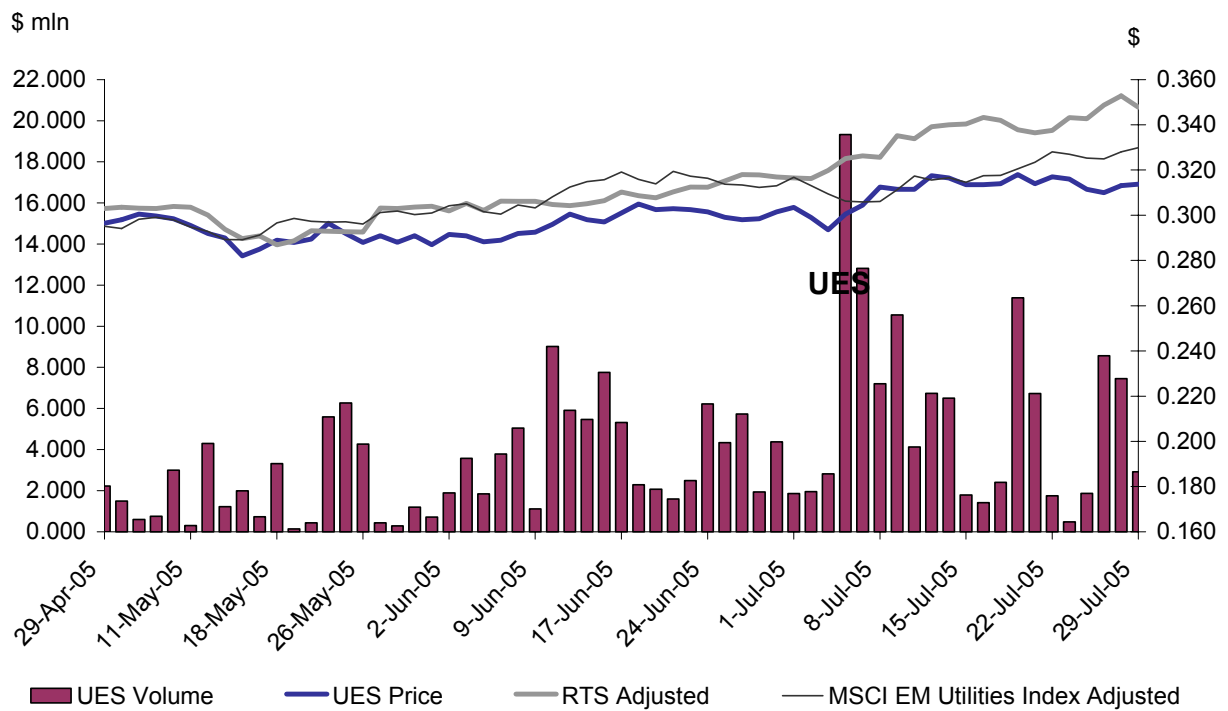
- The board took a number of resolutions ensuring receipt of interim dividends paid by the GenCos, TGCs, RGCs and AO-power plants to the Company's budget. The board instructed the representatives of UES on the boards of directors and at the general meetings of shareholders of AO-power plants that are part of the configurations of GenCo-1, 2, 3, 4 and 6 to vote for the approval of payment of interim dividends for the first six or nine months of 2005.

Full information on UES' board of directors' decisions is published on the company's official website: old.rao-ees.ru/en/ in the section entitled "Company News".

Sources: Company reports at web-site www.rao-ees.ru, Prime-Tass, Reuters, Interfax



Figure 8. UES Performance – Three Months-to-Date



Sources: RTS, Bloomberg



International Utilities News

Figure 10. Key Events of the Week, July 25 – July 29, 2005

Company / Country	Event
Copel, Brazil	<p>COPEL TO WITHHOLD POWER RATE INCREASES</p> <p>Copel will not raise power rates significantly on August 1 despite being authorized to do so by power regulator Aneel and will instead maintain a 7% discount for clients who pay on time, the company said in a statement. The company has implemented discounts since early 2003 as a way to reduce default levels, which according to Copel figures stood at around 2.3% in 2004, down from over 5% a few years earlier.</p> <p>In late June Aneel authorized Copel to raise rates 7.8% on average. Aneel ordered the company to cut residential rates 0.05% but authorized rate hikes of 8.33-15.3% for power distributed to larger clients depending on the voltage. Rates will, however, be raised 4% to pass on part of 2004's authorized rate adjustment that was not applied, also because of the company's discount policies.</p> <p>The new rates have already been approved by the board and the government of Paraná state, which controls the company. Company management will seek approval from shareholders at a meeting scheduled for August 4.</p>
Tenaga, Malaysia	<p>TENAGA COMPLETES 22.5% STAKE BUY IN TNB COAL AND 20.8% STAKE BUY IN TENAGA CABLE</p> <p>Tenaga Nasional Bhd said it has completed the acquisition of a 22.5% stake in TNB Coal International Ltd (TNB Coal) from Nik Sallahuddin Nik Hussein for 26.59 mln rgt (\$7.05 mln). In a statement, Tenaga said following the purchase, it now holds a 92.5% interest in TNB Coal, while Nik Sallahuddin owned the remaining 7.5% interest. No other details were given.</p> <p>Tenaga also has completed the acquisition of a 20.8% stake in Tenaga Cable Industries Sdn Bhd from Sumitomo Electric Incorporated for 3.25 mln rgt (\$0.86 mln). In a statement to the Exchange, Tenaga said with the acquisition, TNB Ventures now owns 76% of Tenaga Cable, with Sapura Resources Bhd holding the remaining 24%.</p>
Tenaga, Malaysia	<p>RATE INCREASE, IF ANY, WILL BE IN STAGES</p> <p>Tenaga assured that should an increase in electricity tariff become necessary, the new rates will be implemented in stages and will not burden every sector. Its chief executive officer Datuk Che Khalib Mohd Noh said any increase will entail a restructuring of rates to reflect the various categories of users. He said in the proposal forwarded to the Government, Tenaga proposed the reintroduction of the "pass-through" formula in determining electricity rates. The formula involves a quarterly review of fuel costs which would determine whether to increase or reduce electricity rates.</p> <p>Che Khalib did not reveal the Government's response to the proposal but said that the formula is effective since rates charged to consumers would be determined by the cost of raw materials, especially of petroleum products. He also said that to prevent a sharp and sudden increase in electricity rates, Tenaga has also requested the Government not to raise the price of gas rapidly, but instead in stages within a period of between 10 years and 15 years. Che Khalib told newsmen in Kuala Lumpur that the proposal was not solely to increase electricity rates but more towards explaining to the Government issues currently faced by the power company.</p> <p>At present, Tenaga's debts total 30.5 bln rgt. (\$8.13 bln) and the company cannot continue to create new debts to fund its capital expenditure. Every year, Tenaga requires between 4 bln and 4.5 bln rgt (\$1.06-1.2 bln), where a major portion is spent on maintenance and repairs of transmission and distribution systems. The tariff has only been revised twice within the last 20 years and these were due to increases in oil prices and decline in the value of the ringgit. During the same period other operating costs such as wages and equipment have continued to rise.</p>
KEPCO, South Korea	<p>KEPCO RATING RAISED TO 'A' FROM 'A-' BY S&P</p> <p>Standard & Poor's Ratings Services said that it has raised its ratings on KEPCO and also SK Telecom to 'A' from 'A-' in line with its upgrade of South Korea's sovereign rating by one notch to 'A'. The international credit rating agency raised the country's sovereign rating for the first time since 2002, citing an improved financial sector and increased monetary flexibility.</p>

Sources: Reuters, Factiva, Interfax, Platts Energy in East Europe



Russian Market Overview

Figure 11. Russian Market Overview, July 25 – July 29, 2005

Date	Comment
Monday, 25	<p>RUSSIAN MARKET CONTINUES SURGE LED BY SBERBANK. The Russian stock market surged again on Monday, led by boisterous gains from state-controlled bank Sberbank as trading volumes remained modest. There was no negative news to slow the market's momentum on Monday, though a bit of profit taking crept in toward the end of the day's session, traders said. Nearly all of the blue chips closed Monday in the black, with independent natural gas producer Novatek joining Sberbank at the top of the charts. Sberbank cruised ahead of the rest of Russia's blue chips on Monday, rising 3.87% on RTS and over 5% on MICEX. The RTS index's increased weighting of Sberbank's stock on Monday helped buoy the company's shares, but the majority of Sberbank's support came from rumors that Moody's Investors Service is preparing to upgrade Russia's sovereign credit rating. As the largest holder of bonds in Russia, Sberbank stands to benefit from any boost to Russian bonds.</p> <p>Russian benchmark stock index RTS closed at 779.19 Monday, up 1.18%, or 9.09 points, from the previous close. Trading volume on Monday fell to U.S. \$22.068 million from \$25.784 million on Friday. The Moscow Interbank Currency Exchange (MICEX) index closed Monday at 702.46, up 1.02% from the previous close.</p>
Tuesday, 26	<p>AFTER SWELL COMES SLIDE, RUSSIAN MARKET FALLS. The Russian stock market fell backward on Tuesday, with nearly all of the blue chips closing the day in the red. The enthusiastic buying that has led to the market's recent rallies evaporated on Tuesday as concerns about global trends dominated investors' thoughts. On Tuesday, The Conference Board announced that its consumer confidence index for the U.S. slipped to 103.2, moderately below analysts' expectations. State-controlled bank Sberbank took the hardest hit on Tuesday, followed by state-controlled power grid monopoly UES and metals producer Norilsk Nickel. After leading the market's rally on both Friday and Monday, Sberbank fell sharply on Tuesday, closing down 3.73% on RTS and down 4.42% on MICEX. Without any news of significance to impact Sberbank on Tuesday, traders attributed the fall to profit taking after the recent strong gains. Before Tuesday's fall, Sberbank shares had risen approximately 11% on the week.</p> <p>Russian benchmark stock index RTS closed at 768.13 Tuesday, down 1.42%, or 11.06 points, from the previous close. Trading volume on Monday rose to U.S. \$28.943 million from \$22.068 million on Monday. The Moscow Interbank Currency Exchange (MICEX) index closed Tuesday at 692.01, down 1.49% from the previous close.</p>
Wednesday, 27	<p>RUSSIAN MARKET STRONG, SIBNEFT ACTIVITY HIGH. The Russian stock market held steady on Wednesday, with most stocks closing the day modestly in the black. Trading volumes dipped slightly, with the exception of oil major Sibneft, which saw a flurry of activity following the announcement that Wednesday was the cut-off date for Sibneft's 2004 dividends. Other than Sibneft's wild day, independent natural gas producer Novatek and oil major Lukoil enjoyed the strongest support on Wednesday. The news that Wednesday was the cut-off day to receive Sibneft's 2004 dividend, proposed at a whopping \$0.49 per share, sent investors scrambling for shares of the oil major on MICEX. Trading volumes in Sibneft shares on MICEX were roughly quadruple the average on Wednesday and led to a jump of nearly 2.75%. On RTS, which has a second-day settlement, however, Sibneft shares were already trading ex-dividend on Wednesday, causing Sibneft to fall 2.11%</p> <p>Russian benchmark stock index RTS closed at 770.57 Wednesday, up 0.32%, or 2.44 points, from the previous close. Trading volume on Monday fell to U.S. \$20.540 million from \$28.943 million on Tuesday. The Moscow Interbank Currency Exchange (MICEX) index closed Wednesday at 697.27, up 0.76% from the previous close.</p>
Thursday, 28	<p>RALLY CONTINUES APACE ON RUSSIAN MARKET. The Russian market Thursday saw another day of high activity and good volumes as buying continued, with all Russian blue chips ending the day in the green. Oil major Lukoil, alternative natural gas producer Novatek, and state-owned bank Sberbank all saw positive support, with Sibneft the only name among the big players falling. Once again Lukoil led the big names on the Russian market, attracting by far the most trading volumes and rising over 2.5% on both RTS and MICEX. Alternative natural gas producer Novatek also saw significant support Thursday, rising about 2.5% on RTS. Traders said that the company is still seeing demand after its recent IPO. Sberbank, after a massive rally in recent weeks, bounced slightly Thursday after profit taking took it down almost 4% in recent days. Sibneft was the only blue chip to fall Thursday, down 3.7% on RTS. The stock was still suffering from its ex-dividend date passing Tuesday.</p> <p>Russian benchmark stock index RTS closed at 779.18 Thursday, up 1.11%, or 8.61 points, from the previous close. Trading volume on Thursday rose to U.S. \$44.610 million from \$20.539 million on Wednesday. The Moscow Interbank Currency Exchange (MICEX) index closed Thursday at 702.09, up 0.69% from the previous close.</p>
Friday, 29	<p>RUSSIAN MARKET SLOWS DOWN BUT BUYERS REMAIN. The Russian market slowed down considerably Friday in comparison to the high activity seen Thursday but the general atmosphere among investors remains very positive. Oil major Lukoil, metals giant Norilsk Nickel were among the best performers of Russia's blue chips, with state bank Sberbank falling. Despite plenty of investors still ready to buy, Friday being the last day of the month meant that many were sitting back, taking profits, and letting some of the steam out of the market. Lukoil, as usual, saw the most support from the market in terms of volume, though didn't escape some selling itself. Up 0.61% on RTS and 0.4% on MICEX, the stock once again proved the mainstay of the market without any fireworks.</p> <p>Russian benchmark stock index RTS closed at 778.93 Friday, down 0.03%, or 0.25 points, from the previous close. Trading volume on Friday rose to U.S. \$28.653 million from \$44.610 million on Thursday. The Moscow Interbank Currency Exchange (MICEX) index closed Friday at 700.65, down 0.21% from the previous close.</p>

Sources: Interfax, Reuters, Prime-Tass



Valuation

Figure 12. Stock Valuation—Regional Utilities vs. Emerging Markets and International Peers, July 25 – July 29

Company	Price	Change		Last 52 weeks		5-day ADV	MCap	P/E*		EV/EBITDA*	
		WTD	YTD	High	Low			2004	2005E	2004	2005E
Russian Utilities											
UES	0.3138	-1	10	0.33	0.228	0.3130	13,481	12.2	14.0	2.9	2.9
Mosenergo	0.0850	-1	-42	0.31	0.06	0.0840	2,403	33.8	41.1	4.5	5.5
Second-tier Stocks											
Irkutskenergo	0.2300	6	11	0.245	0.1475	0.2240	1,096	18.0		6.6	
Lenenergo	0.9068	40	2	0.93	0.57	0.73	760	26.1		7.7	
Bashkirenergo	0.3280	0	6	0.358	0.29	0.31	357	14.6		5.4	
Chelyabenergo	0.0270	0	-31	0.04	0.0125	0.0200	143	3.1		2.4	
Krasnoyarskenergo	0.4800	2	-2	0.62	0.44	0.5120	323	28.3		9.1	
Kubanenergo	N.A.	N.A.	16	N.A.	N.A.	N.A.	152	26.8		4.5	
Kuzbassenergo	0.7250	0	4	0.7350	0.61	0.7210	439	N/M		4.9	
Novosibirskenergo	19.5000	0	20	19.5	11.7	18.8	287	34.1		5.7	
Permenergo	N.A.	N.A.	-28	5.4	4	5.24	160	2.2		1.1	
Rostovenergo	N.A.	N.A.	-22	N.A.	N.A.	N.A.	133	8.5		3.1	
Samaraenergo	0.1100	-6	-11	0.128	0.0975	0.1210	419	27.4		3.9	
Sverdlovennergo	N.A.	N.A.	1	0.425	0.41	0.42	231	10.7		3.2	
Regional utility average								19.5		4.8	
UES discount (premium) to average, %								-38%		-40%	
Emerging Markets Peers											
	\$						\$ млн.				
Cemig (Brazil)	26.1	5.4	9.4	26.9	15.8	24.8	4,811	8.3	7.9	6.9	5.9
CEZ (Czech Republic)	21.1	0.1	53.2	21.8	7.6	21.3	12,524	23.7	20.8	8.5	7.8
Korea Electric Power (Korea)	34.8	-4.2	32.8	36.6	18.2	35.4	22,325	7.9	7.8	4.1	9.8
Copel (Brazil)	4.5	-3.6	10.2	4.9	3.0	4.5	1,370	8.7	6.5	5.5	4.5
Eletrobras (Brazil)	13.8	5.3	-14.7	21.7	11.8	12.9	7,667	14.1	7.7	7.2	6.7
Emerging average								12.5	10.1	6.5	7.0
UES discount (premium) to average, %								-3%	38%	-56%	-58%
Developed Markets Peers											
EdP (Portugal)	2.7	4.3	-1.8	2.9	2.5	2.6	9,782	18.2	12.9	8.9	7.2
Endesa (Spain)	22.5	-0.4	6.7	23.7	17.7	22.6	23,862	14.2	12.3	7.7	6.7
ENEL (Italy)	8.6	0.4	-2.6	9.4	7.1	8.5	52,916	16.0	13.5	6.2	6.1
RWE (Germany)	67.7	-0.5	36.1	68.5	45.8	67.7	37,751	14.5	13.3	6.0	6.2
Electrabel (Belgium)	461.4	4.1	15.2	464.1	321.4	450.4	25,320	21.9	17.5	17.4	11.4
Scottish Power (UK)	8.9	-0.8	25.5	909.9	679.3	898.0	16,528	N/M	12.4	8.0	7.2
EON (Germany)	93.7	0.3	14.4	94.3	68.8	93.5	64,861	12.2	12.3	7.8	6.2
Industrialised Average								16.2	13.5	8.9	7.3
UES discount (premium) to average, %								-25%	4%	-68%	-60%

Note: * - Estimates provided by IBES, Nelson, JCF; N/M – not meaningful

Sources: RTS, Bloomberg

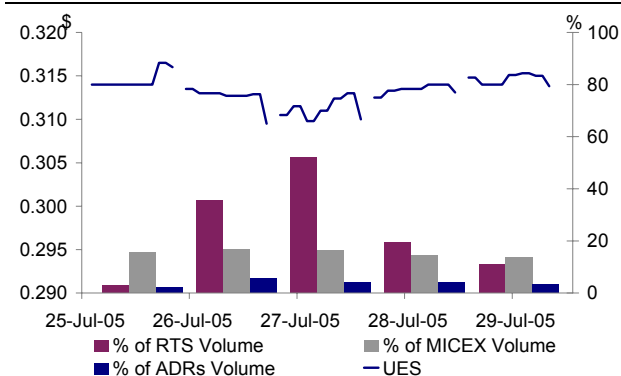
Figure 13. UES – Analyst Recommendations and Fair Prices

Company name	Recommendation	Fair Price	Last update
Aton	Buy	\$0.58	28/06/2005
Zenit Bank	Buy	\$0.40	02/08/2004
Brunswick UBS	Buy 2	\$0.35	24/12/2004
Citigroup	Buy	\$0.42	18/07/2005
BrokerCreditService	Buy	\$0.34	30/05/2005
CentrInvest Securities	Hold	\$0.34	30/11/2004
Renaissance Capital	Sell	\$0.27	01/06/2005
Finam	Hold	\$0.30	20/09/2004
Troika Dialog	Hold	\$0.36	18/07/2005
GUTA Bank	Hold	\$0.27	20/06/2005
UFG	Outperform	\$0.40	18/07/2005
NIKoil (Uralsib)	Hold	\$0.26	08/12/2004
Market consensus	Hold	\$0.35	

Source: Bloomberg, Interfax

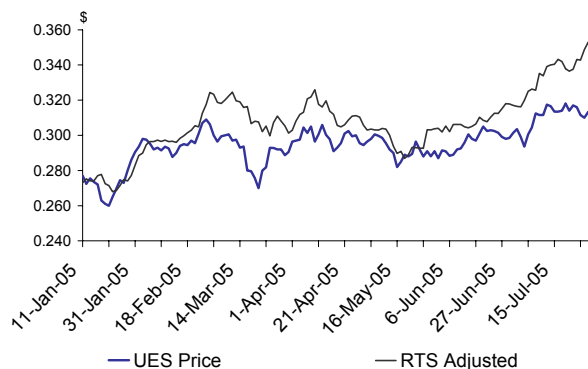
Chartbook

Figure 14. UES – Shares, ADRs and Volume Performance, Week-to-Date, 2005



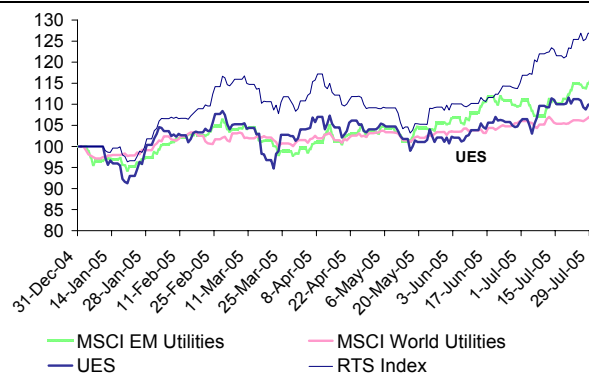
Sources: RTS, Bloomberg, MICEX

Figure 15. UES Performance vs. RTS Index, 2005



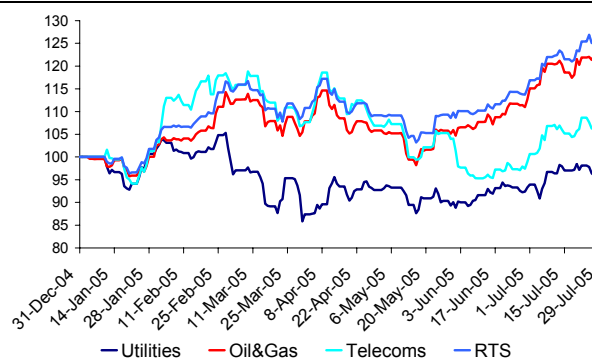
Source: RTS

Figure 16. UES vs. Peers Performance, 2005



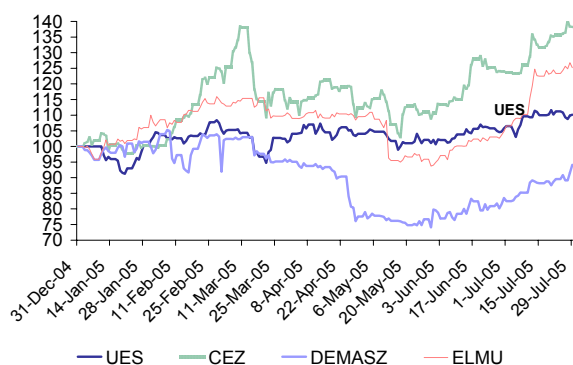
Sources: RTS, Bloomberg

Figure 17. RTS vs. Sector Performance, 2005



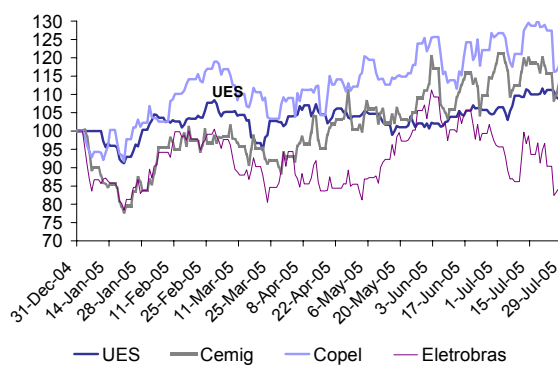
Sources: RTS, Bloomberg

Figure 18. UES vs. Eastern Europe Peers, 2005



Sources: RTS, Bloomberg

Figure 19. UES vs. Latin America Peers, 2005



Sources: RTS, Bloomberg

UES' IR page: rao-ues.rustocks.com