

Avesta Research

UZBEKISTAN DAILY

Business update

8 November 2005

Main economic events

- First million of mobile users has been registered in Uzbekistan**
 It is not a limit. Severe competition in the market contributes to the further development of cellular communication services and speeding-up the growth rate of number of subscribers.
- NMMC and Russian CJSC "Integra" plan to open JV for production of tungsten**
 JV on the production of tungsten concentrate, cost of nearly 10 million USD, is to be set up in the beginning of 2006.
- Inflation rate grows, surplus increases**
 September macroeconomic indicators of country's development.
- Harvest of spiked grains went up by 10.1%**
 Increasing grain harvest was due to favorable weather conditions and growth of farm units' share in the industry-wide structure.
- Cotton of this year harvest is put for sale at UzComEx**
 Starting price is determined as quote of Uzbek component of index "A" minus \$160 on FCA terms.
- Turnover at secondary market has exceeded 1.2B UZS**
 From October 26 to November 6 134 deals with 5.5 million securities of 46 issuers for the total amount of 1596.35M UZS were registered at Republican Stock Exchange "Toshkent".

Official exchange rate of the CB RU to major world currencies (USZ)

	08.11.2005	01.11.2005	Chg./%
1 USD	1158.28	1155.14	+0.3 ↑
1 EUR	1368.86	1392.75	-1.7 ↓
1 GBP	2027.34	2050.14	-1.1 ↓
10 JPY	98.35	99.85	-1.5 ↓
1 RUR	40.56	40.64	-0.2 ↓

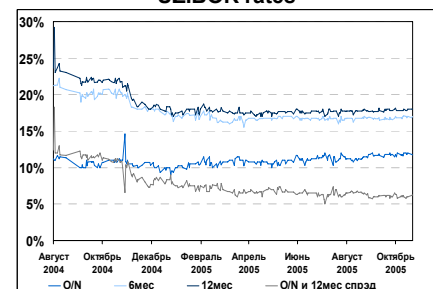
Key interest rates in national currency as of 08.11.2005 (in % per annum)

Refinancing rate of CB RU	16.00
UZIBOR (12 months)	18.00
AWACRI	23.17
CBCAP (UZS)	190.39
CBCAP (USD)	160.92

Corporate Bond Coupon Rates



UZIBOR rates



Main macroeconomic Indicators of Uzbekistan, 2002-2005

Indicators	2002	2003	2004	2004 1 st Q	2005 1 st Q
GDP, trillion sums	7.45	9.84	12.2	2.1	2.5
Real GDP growth, %	4.0	4.4	7.7	4,8	4,8
State budget execution, % to GDP (-def./+prof.)	-0.8	-0.4	-0.4	4.0	1.9
Foreign trade turnover, billion USD	5.7	6.7	8.7	2.1	2.3
Inflation (CPI), %	-	3.8	3.7	1.1	2.2

Source: State Statistics Committee, Avesta Research

Sources: Avesta Research, Central Bank of RU, Uzbekistan Banking Association

Today

- JV LLC «Uzmedcotton»-2, (200M USZ)**
Start of redemption and 4th coupon payment
 - coupon rate – CB+5%
 - amount of coupon payment – 10.5M USZ
- LLC «Office Trading» (140M USZ)**
Start of 2nd coupon payment
 - coupon rate – CB+7%
 - amount of coupon payment – 8.05M USZ

Upcoming events calendar

- 11 November:** Start of 5th coupon payment on the 1st CB issue of «Stamford Capital, Inc Tashkent» is expected.
- 12 November:** Start of 7th coupon payment on the 2nd CB issue of «Biznes Vestnik Vostoka».
- 12 November:** Start of 3rd coupon payment on the 2nd CB issue of LLC «Nuron Savdo» is expected.
- 13 November:** Start of 5th coupon payment on the 2nd CB issue of OJSC «Almalyk MMC» is expected.
- 13 November:** Start of 5th coupon payment on the 1st CB issue of LLC «RUNDIS».

First million of mobile users has been registered in Uzbekistan

On 9 November at Le Grand Plaza hotel the presentation devoted to First million cellular communication subscribers in Uzbekistan will take place, as reported at *SC "Uzbektelecom"* website. Today it is hard to believe that on January 1, 1994 the number of subscribers was just 224, during 1995 it increased to 823 subscribers. As of beginning of 1996 there were 3,804 users. During 1996, 5 new service providers entered the market, and began their operations from 1997. Number of subscribers increased as well. If on 01.01.1997 it made up 9,543 users, then by 01.01.1998 it has jumped up to 21,555. The barrier of 100,000 had been cleared by the end of 2000 (100,789 users). For October 1, 2005 about 51% of total number of subscribers was from regions. The number of subscribers for January 1, 2005 made up 544,000. Reasoning from growth rate, the number of users in 2005 was to be 850,000, but yet on October 1 total amount of users made up 917 K.

Comments: Despite the registration of the millionth subscriber, the level of penetration the communication market in Uzbekistan is much lower than that in USA and Europe countries. Severe competition in the market contributes to the farther development of service and speeding-up the growth rate of number of subscribers.

NMMC and Russian CJSC "Integra" plan to open JV for production of tungsten

Uzbek Navoi Mining & Metallurgy Combine (NMMC) and Russian CJSC "Integra" (Moscow, member of American Integra Group) plan to set up a JV on the production of tungsten concentrate, cost of nearly 10 million USD, in the beginning of 2006, as reported by *"Prime-TASS"* referring to the management of NMMC. The portion of output will be exported. By the end of current year the terms of foundation and main project parameters were to be determined, as reported by NMMC representative. Statutory documents might be signed in 1st quarter of 2006.

Comments: The foundation of such a JV is one more evidence of strengthening business ties between Uzbekistan and Russia. The fact, that the project is financed by NMMC, indicates the growing potential of Uzbek companies in world market.

Inflation rate grows, surplus increases

The rate of consumer price growth in September increased from 0.2% (in August) to 1.2%, as reported by *"Reuters"* with reference to State Statistics Committee of RUz. For Jan-Sep 2005 the level of inflation reached 3.1% (compared to last year indicator, 0.3%). At the same time, trade surplus during 9 months stepped up to \$901.0M (from \$815.3M in 2004), State Stat Committee reported. According to the data, during Jan-Sep 2005, the portion of CIS countries in aggregated turnover increased from 34.4%(9 months of 2004) to 36.8%.

Harvest of spiked grains went up by 10.1%

Harvest of spiked grains of 2005 increased by 10.1% compared to 2004 level, and made up 6.082Mt (primary weight), as reported at *KazCommertsBank* website. Gross wheat harvest stepped up by 8.7% to 5.896Mt. The volume of state purchase went up by 6.7% to 2.303Mt. Portion of agriculture enterprises decreased to 27.5% (vs. 37.4% in 2003), while portion of farmer units went up to 57.4% (vs. 47.1% in 1002). The area under crop remained at the last year level and made up 1.286 Mha.

Comments: Increasing grain harvest was achieved due to favorable weather conditions and growth of farmer units portion in the industry-wide structure. However, for many agriculture enterprises-suppliers of grains this activity still remains unprofitable. Farther liberalization of their activities will favor the growth of efficiency.

Cotton of this year harvest is put for sale at UzComEx

From November 2, 2005 cotton of this year harvest has been put for sale. The sellers of cotton for FEC through Uzbek ComEx are the regional branches of "Uzpakhtasanoat". The total product volume displayed equals 12,400 t, about 1000 t from each region, and 400 t from "Navoipakhtasanoat", as reported at *"uzex.com"*. Major part of product is presented by 1st-class fibre, 4-5 types, class "Urta". Starting price is determined as quote of Uzbek component of index "A" minus \$160 on FCA terms.

Turnover at secondary market has exceeded 1.2B UZS

From October 26 to November 6, 134 deals with 5.5 million securities of 46 issuers for the total amount of 1596.35M UZS were registered at Republican Stock Exchange "Toshkent". Average daily turnover made up 228.1M UZS (vs. 317.6M UZS for last week), average deal amounted 11.9M UZS (vs. 10.8M UZS for last week). With all that no deals with corporate bonds were registered. 4 deals for the amount of \$138,100 were registered in the section of securities for FEC circulation. From the beginning of 2005 aggregated turnover made up 29816.91M UZS (results of 43536 deals).

Comments: This week was characterized by decreasing activity of securities buyers. However, it should not be told about further decline in deals volume. Thus, in near future the growth in number and amount of deals is expected.

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