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- Information on last trades at ITS**
 In December 2005, ITS is planning to organize the trades on CB issues of 5 issuers.
- Interest of foreign companies in Uzbek power assets**
 No less than 5 Russian contenders will participate in the tender. Besides, Iran, Great Britain, China, and Kazakhstan show interest in Uzbek power assets.

Business update

1 – 2 December 2005

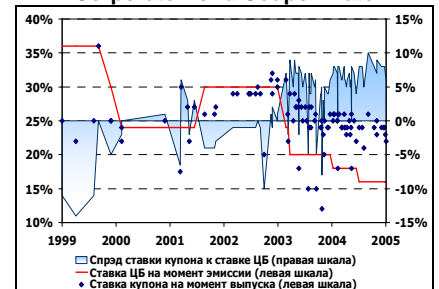
Official exchange rate of the CB RU to major world currencies (UZS)

	29.11.2005	22.11.2005	Chg./%
1 USD	1167.79	1164.61	+0.27 ↑
1 EUR	1365.26	1371.44	-0.45 ↓
1 GBP	1997.62	1999.52	-0.10 ↓
10 JPY	97.45	97.66	-0.22 ↓
1 RUR	40.56	40.38	+0.45 ↑

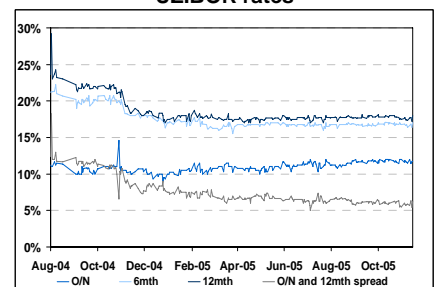
Key interest rates in national currency as of 02.12.2005 (in % per annum)

Refinancing rate of CB RU	16.00
UZIBOR (12 months)	18.00
AWACRI	22.65
CBCAP (UZS)	187.91
CBCAP (USD)	157.96

Corporate Bond Coupon Rate



UZIBOR rates



Main macroeconomic Indicators of Uzbekistan, 2002-2005

Indicators	2002	2003	2004	2004 1st Q	2005 1st 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

Coupon payments on CB are not expected

Upcoming events calendar

5 December. The seminar on “Extension of export opportunities for small and private enterprises in Uzbekistan” will be held in hotel “Dedeman”.

5 December. Start of payment of 4th coupon on the 2nd CB issue of LLC «NIGSA» is expected.

5-7 December. Republic fair on “wholesale and retail trade of consumer goods” will be held in the show-room at SJSC “Uzbekyengilsanoat”.

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Uzbekistan will cut corporate income tax

From January 1, 2006 the Uzbek Government will cut the income tax rate for the enterprises from 15% to 12%, tax on dividends – from 15% to 10% and abolish an ecology tax and monthly payment for “right to trade” for trade enterprises, “Prime-TASS” reported with reference to B. Ashrafkhanov, first deputy of Minister of Finance, presented the project of the state budget for 2006 at the Senate session. According to him, decline in tax rate will result in the increase in enterprises’ funds, directed to production development (32.7b UZS). In 2006, the portion of profit tax inflow to state budget could decrease to 4.9% (195.9b UZS) vs. 6.5% (217.88b UZS) in 2005. He also noted that interest on long-term loans and expenditures, concerned with the securities issue, would be excluded from taxable income-base. To further stimulate the enterprises specializing on the export, with the portion of export from 15% to 30% the profit tax is decreased by 30%, with more than 30% - by 50%. Income tax for individuals is reduced from 30% to 29%, dividend and interest paid tax – from 15% to 10%. Portion of this tax in inflow to state budget in 2005 will make up 15.1% (603.4b UZS) vs. 13.4% (449.17b UZS) of projected figures. B. Ashrafkhanov added that the rate of common social payment of the labor remuneration fund will be cut from 31% to 25%. Rate of land tax and water resources use tax will be increased by 50%, rate of common tax for legal entities, lottery organizers and bookmakers, is raised from 20% to 30%.

At Friday session the Senate approved the state budget deficit in 2006 in the amount of 1.5% of GDP (271.1b UZS). Inflows are to account for 22% of GDP (3,992b UZS), outflows – 23.5% of GDP (4,263b UZS). In the inflows structure, direct taxes will account for 25.6% (1,022b UZS) vs. 25.8% (864.8b UZS) in 2005, the indirect taxes will account for 49.1% (1,960b UZS) vs. 48.7% (1,632b UZS) in 2005. Portion of resort expenditures will decline to 19.2% (766.46b UZS) vs. 19.4% (650.29b UZS) in previous year.

Comment: Above mentioned measures on reduction the tax burden will promote the further economic development and decrease in portion of “shadow” economy. In particular, 5% decrease in dividend tax, in our opinion, will result in increasing interest of foreign investors in Uzbek assets.

Information on last trades at ITS

According to Interbank Trade System (ITS), in November 4 trades of CB issues were organized, 4 transactions were completed (total amount – more than 206m UZS), 2 CB issuers participated - «Polfleks» and OJSC «Marvel Juice Co». As for today, one more company has been registered in the list of those having right to participate at ITS trades – JV LLC «TS Technology», specializing in IT manufacturing. In the nearest future two more CB issuers – OJSC “Uzvtortsvetmet” and LLC “Nuron-Savdo” could be included in that list. After the signing of the corresponding contracts and accepting the market-maker commitments by the bank-participator, ITS is planning to organize the trades on CB issues of 5 issuers yet in December 2005.

Interest of foreign companies to Uzbek power assets

As reported earlier, State Property Committee RU (SPC) declared an open tender on the sale of 38.9% of “Takhiatash TPS” and 39% of “Navoi TPS” shares, starting price of \$8.8m and \$18.2m respectively. «Uzreport.com» reported that according to Sergey Fomintsev, the head of Dept. on Strategies and Business development of the investment company “Finam” (one of the financial consultants on the privatization projects in Uzbekistan) 5 Russian contenders would participate. Besides, Iran, Great Britain, China, and Kazakhstan show interest in Uzbek power assets.

At present 60% of each enterprise shares belong to the Government, from which 51% is at the asset management of OJSC “Uzbekenergo”, 9% is hold by SPC, 1% - by management. S. Fomintsev noted that the investor could count on the granting the state shares for asset management, and even the sale of those holdings. He stated that the tender results would be reckoned up in March 2006.

Last year the tender on the privatization of 39.23% of OJSC “Mubarek TPS”, 38% of OJSC “Tashkent TPS”, 39% of OJSC “Fergana TPS”, and 39% of OJSC “Syrdarya TPS” shares was declared. According to the tender results, British SAB Energy could become the holder of “Tashkent TPS” and “Mubarek TPS” shares. Interest in Uzbek power assets is shown also by Russian OJSC “UES of Russia”, RUSAL and SAUL, the companies from Iran and China. At present all those tender applications are under consideration at the State Tender Commission of RUz, the official results will be reckoned up in December 2005 – January 2006.

Uzbekistan accounts for about 4% in total amount of power supply in CIS region. Regulating capacity of Uzbek energy system is more than 12.5m KW, potential amount of power supply by 37 functioning power stations makes up 55b KW/H. Electricity supply network consists of more than 230,000 km power lines and about 45m kVa transformer capacity.

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