

**FSK Share Swap Ratio Announced****Analyst: Ekaterina Tripoten**

tripoten@sovlink.ru

On Friday August 24, Interfax published the evaluation results of trunk grid companies as well as the swap ratios based on which they will be consolidated into the Federal Grid Company (FSK). The evaluation was carried out jointly by Deloitte and Ernst & Young and a Fairness Opinion was provided by CIT Finance. UES' evaluation committee has already approved the valuations and UES' board will address issues related to the consolidation/evaluation at its meeting scheduled for August, 31.

Based on the announced swap coefficients, the most attractive entry points to FSK (via subsequent conversion) are offered by the following grid companies:

- ordinary shares of Belgorodskaya, Vladimirskaya, and Voronezhskaya;
- preferred shares of Bryanskaya, Kostromskaya, Tverskaya, Udmurtskaya, and Chitinskaya;
- both ordinary and preferred shares of Komi and Kuzbass.

For conversion purposes, one ordinary FSK share is valued at 0.6 roubles. The current offer prices of grid companies value FSK at a 50% premium to the valuation carried out by Deloitte and Ernst & Young. We believe this reflects investor interest in this sector and do not expect any significant reduction in the premium.

Amongst the grid companies, we have selected those, whose current offer price provides the smallest premium. We have given below our estimates for FSK's share price based on the published swap ratios and the current market offer prices of grid companies traded on the RTS.

	Ticker	Offer price, \$	FSK share price (estimate), roubles
Belgorod	blms	15	0.915
Bryansk pref	brmsp	2.4	0.950
Vladimir	vlms	1.735	0.895
Voronezh	vrms	0.360	0.993
Kostroma pref	ksmsp	0.0425	0.966
Komi	kmms	0.022	0.986
Komi pref	kmmsp	0.020	0.979
Kuzbass	kbms	0.310	1.028
Tver pref	tvmsp	0.048	0.959
Udmurt pref	udmsp	0.165	0.959
Chita pref	chmsp	0.065	0.933

©2007 Sovlink LLC. The information in the enclosed Report (the "Information") is not an advertisement for any security or particular issuer and should not be interpreted as such. The Information is intended solely for the personal use of Sovlink LLC's clients or other parties prepared to with Sovlink LLC. The Information is not intended for use by citizens of the USA or legal entities registered in the USA. Nothing contained in the Information is, or should be interpreted as being information intended for an undetermined audience.

The Information is exclusively of an informational/analytical nature, and should not be interpreted as a recommendation to take any particular investment action. The Information should not be relied upon as a justification for the execution of any transactions, and should not be referred to as such. Sovlink LLC takes no responsibility for any actions taken on the basis of the Information. The enclosed Report does not contain an offer or an invitation to make an offer to buy or sell any securities or any options, futures or other derivatives related to such securities.

This Report does not have regard to any specific investment objectives, financial situation and the particular needs of any specific person who may receive this Information. Investors should seek financial advice regarding the appropriateness of investing in any securities mentioned and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities, if any, may fluctuate and that each security's price or value may rise or fall. Accordingly, investors may earn less than originally invested. Past performance is not necessarily a guide for future performance. Foreign currency exchange rates may adversely affect the value, price or income of any security mentioned in the Report. Please bear in mind that investment activity in emerging markets is very risky, and investors should conduct their own due-diligence prior to making an investment decision.

The individual(s) responsible for the preparation of this Report (the Author(s)), or Sovlink LLC may hold short- and long-term positions in any of the securities mentioned in the Report, and may take part in investment activities with companies mentioned in the Report.

In preparing this Report, the Author(s) assumed that the issuers mentioned in the Report disclose information in the amount and under the procedure stipulated by the securities legislation of the Russian Federation for issuers who publicly place securities.

This Report and the Information is based exclusively on publicly-available information, which is deemed to be reliable, however Sovlink LLC makes no representation that this Information is accurate or comprehensive, and it should not be relied upon as such. Sovlink LLC makes no representation that this Report has been released to all readers simultaneously, nor that Sovlink LLC will update this material on a regular basis, or that it will correct inaccuracies contained in this Report.

Tel.: +7 495 967 1300

Fax: +7 495 967 1311

research@sovlink.ru