

E-*f*inance

International Politics & Economy | **More Power for Russia**



Game Over for Yukos: The management of Russia's biggest oil producer Yukos called for an extraordinary shareholders' meeting in December to decide whether the company should file for bankruptcy or restructure – for the unlikely event of a last-minute compromise with the government. Back-tax demands and fines against Yukos now total \$ 18.5 billion – \$ 3.6 billion for 2000, \$ 6.7 billion for 2001 and \$ 8.1 billion for 2002. The company said it had paid the demands for 2000 and explained the total bills for 2001 and 2002 were even higher than the revenue during those years. It is increasingly hard to see how bankruptcy can be avoided.

Khodorkovsky: Dangerous Ambitions.

The Kremlin's tax onslaught is widely seen as a drive to regain control over oil assets sold off cheaply in the 1990s to Yukos' main shareholder and politically ambitious Mikhail Khodorkovsky. Khodorkovsky's ownership is exercised through >



Fig 1.
Share price of Yukos (lower curve) and RTS Moscow (index, upper curve). Yukos' market capitalization has plummeted dramatically in recent months and days as a result of the Kremlin's tax onslaught.

International Politics & Economy

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[More Power for Russia]

- > »Menatep«, an investment company holding a 61 % stake in Yukos. As part of the criminal investigation into Khodorkovsky and his business partner Platon Lebedev the stake is currently frozen.
»Menatep« has taken steps toward suing Russia in international courts for compensation over the massive drop in Yukos' share price since the legal

onslaught against it began. The group could sue under the terms of the Energy Charter, an international treaty aimed at protecting the interests of investors, which Russia signed in 1994 – but has not yet ratified. Yukos' market capitalization has plummeted from \$ 32.3 billion before Khodorkovsky's arrest in October 2003 to currently less than \$ 5 billion.

A New Russian Energy Giant? Main asset of Yukos is Yuganskneftegaz, which controls vast Siberian oil fields and produces roughly 60 % of Yukos' total output. The subsidiary has been valued by investment bank Dresdner Kleinwort Wasserstein at between \$ 14.7 and \$ 17.3 billion. The embattled company's assets have already been put up for auction on December 19th. President Putin earlier on explained that the Russian government does not intend to nationalize Yukos and that everyone, including state-owned organizations, would be able to bid at the auction. By forcibly selling Yuganskneftegaz, the Kremlin is now seeking to recoup at least \$ 9 billion in taxes. With a minimum offer of \$ 8.5 billion, Yuganskneftegaz will be sold for about half of its estimated value. Reports suggested the Kremlin might hand it to Russian rival Gazprom. Such a move seems to make sense. A merger between Gazprom and oil company Rosneft earlier in the year probably was just the founding stage in the creation of a new dominating Russian energy giant, Gazprom-Neft, whose majority is controlled by the Russian government, which as a result is increasing its power in the oil sector. ||



www.yukos.com
Learn more about Yukos and follow the latest development on the company website.

International Stock Markets | Comparison of Stock Markets

How expensive respectively how cheap are different stock markets around the world? It can be helpful to compare average P/E ratios of different market places when building an internationally diversified portfolio.

Table 1 shows calculated average P/E ratios of selected stock markets for the current and the next year. Markets in Japan, the US and the United Kingdom are among the most expensive ones while cheaper stock markets are those in Brazil, Russia and South Korea.

For a better understanding of these differences, the given numbers have to be combined with background information like growth perspectives or

market risks for specific national economies. The average P/E of a stock market reflects effects of demand and supply in stocks influencing their prices as well as the capability of companies to earn money.

Time to Buy Japanese Stocks? Instead of considering a snapshot, it can be worthwhile to look at the change of the average P/E ratio of a certain stock market in time. Doing so for the Japanese market leads to the remarkable result that from a long-term perspective, Japan's average P/E actually is at a record low – even if it's still the highest one when compared to other markets. Historically Japan's P/E

	2004	2005
Australia	14.9	13.5
Brazil	8.1	7.1
China	14.7	13.1
Czech Republic	16.1	13.7
France	16.0	13.7
Germany	15.7	12.8
Hungary	10.9	10.2
India	11.1	10.8
Italy	17.6	15.0
Japan	18.4	15.7
South Korea	7.1	6.7
Mexico	13.1	10.9
Netherlands	12.5	12.0
Poland	12.6	12.4
Russia	7.2	7.4
Singapore	13.3	12.1
Spain	15.5	13.4
Sweden	15.5	13.7
Switzerland	16.2	13.7
United Kingdom	18.1	16.0
United States	18.2	16.0

Source: TA/Thomson

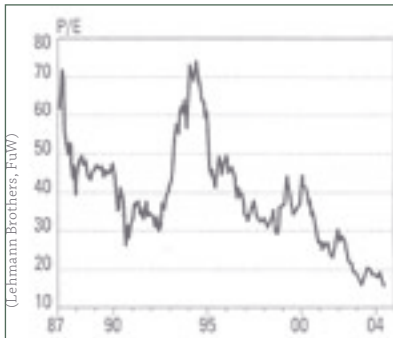


Fig 2. *Calculated average P/E ratio of the Japanese market for the coming twelve months and since 1987. Japan's P/E ratio historically used to be much higher than it is now.*

ratio used to be much higher than it is now. Japanese stocks on average are at an attractive P/E level. The economic recovery as well as restructuring should progress. ||



Sustainable & Responsible Investment (SRI)

What SRI Means for Investors

SRI contributes to the creation of an environmentally sustainable and socially responsible economy.

SRI empowers investors and enables them to make choices about how and where their money is invested.

SRI uncovers business risks that may not be identified through traditional financial analysis and therefore can contribute to enhanced long-term returns.

SRI means companies have to be screened independently to determine how they perform on economic and key environmental as well as social criteria.

Sustainability | When a resource is consumed at sustainable levels, people can continue to consume the same amount of that resource year after year, from our generation to the next. But when a resource is used at unsustainable levels, sooner or later it will run out. According to the most often cited definition, sustainability means »we can meet the needs of the present generation without compromising the ability of future generations to meet their own needs« (U.N. Bruntland commission, 1990).

Sustainable Development | The World Community met in Rio 1992 to agree on a model for sustainable develop-

ment. The action plan for the 21st century, the »Agenda 21«, defines aims, fields of action and measures for different groups of society.

Sustainable & Responsible Investment (SRI) | The basic goal of SRI is to reconcile profit maximization and turnover growth on the short term with peripheral conditions imposed by ecological and social norms. SRI recognizes the crucial role financial markets play in influencing the direction of economic growth by purposely directing financial capital to companies that contribute to sustainable development. SRI is not a new idea. Interest in ethical or sustainable investment was first shown in the Anglo-Saxon countries. It was at the request of religious groups in the U.S. that the first ethical investment fund was set up in 1928. Initially, SRI involved the avoidance of sectors deemed unethical by investors, such as the tobacco, alcohol and armaments sectors.

Breakthrough | Increasing ecological and social awareness among companies, consumers and investors brought about by a number of major catastrophes, intolerable company practices and scandals, but also by a better scientific knowledge and understanding of key issues as for example the ozone hole or climate change led to a broad acceptance of SRI in recent years. SRI nowadays means investors scrutinizing companies in respect of such aspects as the environment, human and animal rights, working conditions and social integration. ||



Water/Mayer

SRI – Required Steps

1. Sustainability Analysis
2. Financial Analysis
3. Portfolio Construction
4. Monitoring and Controlling

Famous Swiss mountains – from left to right: Eiger, Mönch, Jungfrau.

One planet, one life, one time to act and invest responsibly.

Sustainable Company Portrait | Citron: Turning Waste into Profit

Recycling of Hazardous Waste | Swiss company Citron was founded in 1996 with the mission to improve the environment for our society by transforming waste into secondary raw materials and energy. The company is specialized in the recycling of hazardous waste. A first industrial plant was built in Rogerville within the harbor area of Le Havre, France, and put into operation in August 1999. Le Havre is also the largest container port in France. A very good logistical network at the site

simplifies transports and also reduces transport costs for customers.

Unique Recycling Process | Citron has developed a unique high technology recycling process, the »Oxyreducer« process. A wide variety of wastes can be treated and recycled successfully, for example all types and sizes of batteries, dental waste containing mercury, heavily contaminated earth and soil, fluorescent tubes and lamps to mention only a few. Because the process requires relatively high temperatures, energy has to be input first but is constantly reused once the process is running. Outputs are metal concentrates which are sold to the metal industry. Waste gas and wastewater are cleaned in a special treatment system. The production of hazardous waste is totally eliminated because all sludges from the wastewater treatment system are recycled in the plant itself. Wastewater can even be recycled for as often as 50 times. Emissions of dangerous chemicals are far below the allowed maximum levels.

Growing Demand Expected to Continue | Due to regulatory changes and generally climbing prices for raw materials, industry is facing increasing pressure toward production processes with closed-loop material flows and competitively recycled raw materials. As a result of growing demand, Citron's initial treatment capacity was boosted from 23'000 tons per year in the beginning to more than 100'000 tons per year in 2004. During the next business year, the company plans to double the production capacity of its existing plant to 200'000 tons per year. Preparations for a completely new plant in Germany are also under way. The new plant will be able to contribute to the European Union's declared intention to reduce the production of carbon dioxide. Due to a new German law, Citron expects prices for waste treatment to get a one-time boost next year. After June 1st 2005, any land filling of untreated wastes will be illegal.

Financials | For the period 2003/2004 the consolidated net income was raised from € 1.5 million to € 2.6 million. Target for the next business year 2004/2005 is a consolidated net income of € 3.5 million and for the period 2005/2006 € 5.1 million. The company intends to achieve an average earnings growth of 35 % per year on a basis of five years. >



Fig 3.
Citron's stock price in Swiss Francs for the last three years.

Useful Websites for Investors

ClearStation

<http://clearstation.etrade.com>



Being a meeting point for »the intelligent investment community«, ClearStation focuses on education and also camarade-

rie. The site originated in 1998 as the premier place on the web to learn about, practice and discuss technical analysis. Online brokerage E-Trade purchased it in 1999. Use of the many helpful tools is for free and you do not necessarily have to be a customer of E-Trade. The site offers a unique and easy-to-use navigation scheme. Learning how to work with the available tools may take some time for beginners. It's best to start out with the »Education« section. There you can find an introduction »Using ClearStation«. Just follow the links through the articles.

Quote pages at ClearStation are probably the most informative ones you can find on the web. Just type a ticker symbol into the text box »Enter Symbol« and then click »Go«. You are taken to a page that instantly graphs the security's price, volume, moving averages and additional information like MACD. You also find community messages. Along the top of the price chart you can see colored trending bars: red is for strong downtrends

and green for strong uptrends. Along with the graph you also get a complete set of data containing the price, volume, price and volume changes as well as member recommendations.

After you complete the free member registration you are able to set up a watch list to monitor stocks you are interested in. Once you defined your personal watch list, just click »Focus« from the navigation menu and you receive a daily summary of technical and fundamental events affecting your watch list stocks. As a registered member you can also track an unlimited number of stock portfolios. Portfolios show the current or historical performance by day, week, month or year. Graphs for stocks entered in your portfolio are automatically annotated with entry and exit points and you can even add support, resistance and trend lines. ClearStation undoubtedly is a premier site on the web every investor or stock trader should know.

Briefing.com

<http://www.briefing.com>



Founded in 1996, Briefing.com was one of the first web sites to take financial news seriously. It is an ideal place to take the pulse of

the U.S. markets any time of the day. Briefing.com offers three different stock service options called »Silver«, »Gold« and »Platinum«. The »Silver« option is available for free and it is ideal if you are a general investor and do not want to watch the market very actively during the day. You can even start to use it without registration. The »Gold« and »Platinum« options are made for more active investors or traders and are not for free. >

[Citron: Turning Waste into Profit] > Citron represents a technologically advanced pure player in the recycling business with a quite promising future. Citron Holding AG is listed on the local stock exchange in Berne, Switzerland, and also in Berlin, Germany. Citron's stock has a current P/E ratio of about 18 and the projected P/E for the period 2005/2006 is about 12. Major shareholders include banks, insurance companies and other institutional investors. ||

www.citron.ch



More information on the company website. Follow a virtual plant tour and read more about Citron's unique »Oxy-reducer« process.

- > The website is easy to navigate and clearly structured. Briefing.com offers a wide variety of market analysis, information and tools. Market commentaries are usually sharp and to the point. To become familiar with the site, it's best to start out with the »Features and Benefits« menu. You have the opportunity to take a tour through some of the most popular pages or to define your own daily routine within the »Getting Started« section. There you can find examples how to make best use of the different options. If you want to gain background knowledge and understand basic investment ideas or strategies, there is also a »Learning Center« where you can find different stories and articles. One remarkable aspect of the site are different economic calendars. In the »Calendars« menu you can select from »Upgrades/Downgrades«, »Economic Calendar«, »Splits Calendar« and »IPO Calendar«. In the »Economic Calendar« you can also find commentaries illustrated with charts to explain the meaning of certain economic numbers. All of these calendars are maintained and kept accurate on a daily basis. Each of them is worth a quick visit once or twice a week. Briefing.com has recently been mentioned by »Barron's« as a top site for the 8th year in a row and in Forbes' latest »Best of the Web« awards, the website continues as a top-site pick for Wall Street Research.

American Association of Individual Investors (AII)

<http://www.aaii.com>



AII is a nonprofit organization that wants to arm the individual investor with the knowledge and tools needed to

manage his finances effectively and profitably. The organization specializes in providing investment education in different areas like investing basics, stock market investing, improving your investment portfolio and others.

You can join a free biweekly newsletter providing you with investment education tips, special reports and valuable investment information geared to the

individual investor. In the »Education« menu you can find a number of investment education resources for free and in the »Tools« menu, stock quotes, charts and news are also available for free. The store holds a number of books, classes, tools and investment guides to help you become a better investor.

However if you are interested in full access to all of the articles and tools or if you want to use the quite impressive collection of shareware downloads found under »AII Downloads« you have to become an AII member. You can choose from three different membership options, »Basic Membership«, »Enhanced Membership« or »Life Membership«. »Basic Membership« costs \$ 29 per year. Once a member, you gain access to all the information and tools of the website and you receive 10 issues of the AII journal along with a number of other helpful publications.

Australian Broadcasting Corporation Online

<http://www.abc.net.au>



ABC is Australia's largest broadcaster. The website provides you with news from Australia and the Asia-Pacific region.

On top of the homepage you find a navigational tool where you can choose from a number of different topics like »News«, »ABC Radio«, »ABC TV«, »Asia Pacific«, »Science«, »Arts & Culture«, »Indigenous« and others. If you choose »News«, a second menu appears showing subtopics, namely »News Home«, »Just In«, »World«, »Australia«, »Business«, »TV + Radio« and »Weather«. Select »News Home« and you arrive at the home place of different news channels. The first thing you see is the latest news story and on the right side of the window a list of links to more »Top Stories«. Further below, a list of the latest headlines is shown for all of the different channels. You can either choose a certain channel directly from that list or also from the navigational list that appears on the left side of the »News Home« window. If you are interested in the Australian Stock Exchange and would like to read business news from Australia, choose »Business«.

[Useful Websites]

- > In the business section you find a short daily stock market report listing the most important events and selected price movements. Choose »Australia/Local« and you receive the latest top story and a list of the latest headlines for all States of Australia.

The information you find on the ABC website is rather compressed and reader-friendly, a real advantage in comparison to other news-related sites. The clear structure makes navigation relatively easy once you get used to the channels available. ||

Useful Websites for Investors

<http://clearstation.etrade.com>

Meeting point for the intelligent investment community, offers tools for technical analysis, personal watch lists and stock portfolios.

<http://www.briefing.com>

Take the pulse of the U.S. markets any time of the day. Market commentaries, analysis and very useful economic calendars.

<http://www.aaii.com>

Investment education from the American Association of Individual Investors. Free biweekly newsletter, collection of shareware downloads for members only.

<http://www.abc.net.au>

Australian Broadcasting Corporation provides you with all kinds of news from Australia and the Asia-Pacific region. Daily stock market report and business news from Australia.

E-Finanz Kälin: Empowering Investors

E-Finanz Kälin is an independent private company based in Zurich, Switzerland, dedicated solely to investment consulting and education mainly in the fields of Sustainable & Responsible Investment and Special Situation Investment. The company mission is to empower investors and to help them make better decisions about their investments based on a deeper knowledge of facts, modern information technology being the most important tool.

Biography

Mr. Simon Kälin, president and founder of the company, was born in Zurich, Switzerland. He studied physics at the Swiss Federal Institute of Technology



Zurich and afterwards specialized in experimental research within the field of atmospheric optics and aerosols at the Institute for Atmospheric and Climate Science. Mr. Kälin developed a profound knowledge of climate change research and due to his longtime experience and expertise in financial markets realized how important they are in connection with scientific and especially environmental key issues like climate change and others. ||

Feedback – Letters to the Editor

If you have questions or comments regarding this newsletter, the editor would be pleased to hear from you. Please include the writer's name and address.

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