

WEEK OF STOCK MARKET OF KAZAKHSTAN June 22 - 28

1 US dollar = **142.60** tenge at official rate for the end of the period
1 US dollar = **142.59** tenge at weighted average rate of the Exchange for the end of the period

YIELD OF STOCK EXCHANGE INSTRUMENTS

Following is the table that allows to compare investment attractiveness of the financial instruments, which were regularly traded or quoted at Kazakhstan stock exchange (KASE) during June 22 through 28. In parentheses – figures of previous period. Instruments are given in descending order, based on their attractiveness.

Investment attractiveness of financial instruments at KASE from June 22 through 28

Financial instrument	Currency	Yield, % APR	Volume of deals, mln KZT	Volume of deals, mln USD
MEOKAM	KZT	17.01 (–)	80.2 (0)	561.9 (0)
MEKKAM, notes	KZT	*13.10 (12.48)	391.4 (502.8)	2,742.4 (3,528.4)
ALKSb	USD	15.31 (15.34)	7.30 (0)	51.1 (0)
KOMBb	USD	15.01 (14.00)	33.90 (0)	237.2 (0)
HSBKb	USD	12.64 (–)	909.76 (0)	6,378.3 (0)
KZT (SS repo)	KZT	*9.49 (7.35)	1,714.7 (2,257.4)	12,015.3 (15,841.0)
KKGBb	USD	11.89 (12.32)	0 (0)	0 (0)
KZOLb	USD	11.87 (–)	180.2 (0)	1,262.5 (0)
Euronotes-3	USD	10.58 (10.55)	536.1 (132.8)	3,756.3 (932.3)
Euronotes-4	USD	10.55 (10.72)	82.8 (1 413.3)	580.2 (9,917.7)
Euronotes-2	USD	9.70 (9.71)	318.7 (184.4)	2,233.0 (1,293.8)
MEKAVM	USD	*6.14 (7.83)	1,482.3 (2,194.9)	10,386.1 (15,402.7)

Notes: yield of ALKSb, KZOLb, KOMBb, HSBKb calculated as average of the deals, including initial offering; KKGBb - average for offer quotations.

In this week tenge devaluation rate is estimated at weighted average rate of the main session of KASE by a trend of **negative 2.41% APR** (tenge revalued).

The yields, shown here, do not incorporate overhead expenses that are inevitable when conducting operations and fixing profits (commission and tax collections, membership fees etc). Marked by a star are the instruments with less than a year circulation term. Weighted average effective yields are given for them.

SECTOR OF PRIVATE ISSUE SECURITIES (PIS)

On June 23, 2000 an auction for initial additional offering of CJSC “NOC “KAZAKHOIL” coupon bonds (KZ72LAG56A20, official list of KASE securities, category “A”, trade code KZOLb) was held in trade system of the Exchange.

The table contains the floatation parameters and complete results of additional floatation.

Type of the securities	Coupon bond
NSIN	KZ72LAG56A20
KASE trade code	KZOLb
Face value, USD	100.00
Registered issue volume, USD	25,000,000.00
Issue date	June 5, 2000
Circulation date	June 5, 2000
Maturity date	June 5, 2002
Term in days	728
Coupon type	semiannual
Coupon rate, % APR	9.00
Coupon payment dates	Dec. 5, 2000, June 5, 2001 Dec. 5, 2001, June 5, 2002
Additional floatation date	June 23, 2000
Accumulated interest on the date of additional floatation, %	0.45%
Term in days	712
Payment date for additional floatation	June 23, 2000 17:00 ALT
Planned volume of additional floatation, at face value	1,000,000.00
Number of participants - KASE members	5
Number of submitted bids	23
Volume of bids	
in bonds	23,000
at face value, USD	2,300,000.00
amount raised, USD	2,203,618.50
amount raised, KZT	314,478,396.14

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Demand at announced volume of additional floatation, at face value, %	230.0
Bid prices excluding accumulated interest, % of face value:	
minimum	93.5900
maximum	96.3200
weighted average	95.3595
Number of satisfied bids	8
Actual additional floatation volume:	
bonds	8,500
at face value, USD	850,000.00
amount raised, USD	818,515.00
amount raised, KZT	116,810,275.65
Bid prices of additional floatation excluding accumulated interest (net), % of face value:	
minimum (cut)	95.3400
maximum	96.3200
weighted average	95.8459
Yield to maturity, % APR, (semiannual, annual)	
minimal	11.1452 / 11.4557
maximal (cut)	11.7361 / 12.0804
weighted average	11.4301 / 11.7564

These securities are paid and serviced in KZT at weighted average exchange rate of KASE at the payment day.

Considering the issue regulations of the issuer, all calculations, regarding the servicing the issue, are made using **30/360 time base**, accepted for processing of this auctions coupon bonds at KASE. Annual and semiannual yields of bonds at the auction are given for convenience. As the securities are denominated in USD, yield is shown in currency terms.

Bids' share of pension funds was 45.65%, banks - 50.01%, brokers on behalf of clients - 4.34%.

The cutting-off indicated by the emitter fundamentally changes the composition: at actual amount of the issue the size of satisfied bids filled by pension assets management companies was **5.88%**, banks - **82.36%**, brokers on behalf of clients - **11.76%**.

During observed period 23 deals amounting to **\$8,384.8 th.** were made **in purchase and sale sector** of private issue securities (PIS) on trade floors of Kazakhstan stock exchange (KASE), including: 11 deals made in regular trade mode (trades on secondary market) for a total of \$1,188.0 th. and 12 deals concerning initial offerings for a total of \$7,196.8 th. (\$818.5 th., 8 deals made at additional placement auction for CJSC "NOC "KAZAKHOIL" bonds and \$6,378.3 th., 4 deals made in OJSC "Halyk Bank of Kazakhstan" bonds). Relative to previous period (\$104.3 th. 8 deals) weekly turnover of PIS increased more than 80 times.

Results of the trades in shares from June 22 - 28

USD per share, unless otherwise specified

Issuer	Securities	Close	WA price	Volume	Best bid	Best offer
OJSC «Almaty Kus»	ALKS			0	0.15	0.31
JSC «Aktobemunaigas»	AMGZp	1.40	1.40	14 045	1.40	1.40
OJSC «Bank TuranAlem»	BTAS	77.81	77.81	4 700	77.81	77.81
OJSC «Bank CenterCredit»	CCBN	1.40	1.36	28 084	1.40	0.98
OJSC «Halyk Bank of Kazakhstan»	HSBK	2.00		0	0.91	1.82
OJSC «KAZKOMMERTSBANK»	KKGB	0.70		0	0.25	0.50
«Kazakhtelecom»	KZTK	28.38		0	11.00	19.20
«Kazakhtelecom»	KZTKp	3.00		0	5.50	8.00
OJSC «Temirbank»	TEBN	7.39		0	0.70	5.50
OJSC «UKTMK»	UTMK	50.00		0	5.00	145.00

Results of the trades in bonds from June 22 - 28

yield for the buyer in % APR till maturity, unless otherwise specified

Emitter	Code	Currency	Last	WA	Volume, th. USD	Best bid	Best offer
OJSC «Almaty Kus»	ALKSb	USD	15.31	15.31	51.1	15.31	15.33
OJSC «Halyk Bank of Kazakhstan»	HSBKb	USD	12.78	12.64	6 378.3	12.40	12.78
OJSC «KAZKOMMERTSBANK»	KKGBb	USD	12.66	–	0	12.93	12.66
OJSC «Komirbank»	KOMBb	USD	15.01	15.01	168.0	15.01	15.01
CJSC «NOC «KAZAKHOIL»	KZOLb	USD	12.10	12.09	1 262.5	11.41	12.10

Notes: bid and offer prices are given for the period; if no deals were made during reporting period (volume =0), the last price of successful trades will be given; marked by a star are indicative quotations in Quotation trade system of KASE unlike the bids submitted in regular trade mode, or the price of direct deals.

In terms of turnover **coupon bonds of OJSC "Halyk Bank of Kazakhstan"** (Almaty, official list of securities, category "A", **HSBKb**) were the leaders, with the deals made in the trade system of the Exchange under initial offering. The proportion of HSBKb in weekly volume of PIS turnover reached 76.4%. Last week preferred shares of OJSC "VALUT-TRANZIT BANK" (Karagandy, official list of securities, category "B", VTBNp) were noticeable by the turnover.

Compared to previous successful trading day the value of **BTAS** increased 0.5%, **CCBN** (by the last deal of the period) – 11.0%, whereas that of **AMGZp** decreased by 92.6%.

Data on the deals, bid and offer information, as well as description of trade codes are given in the tables.

In **PIS repo sector** no deals were made during analyzed period. At the end of analyzed period **seven** indexed PIS repos were opened for a total of **\$1,455.9 th.** on the trade floor of the Exchange. The following shares were used as an object of repo: OJSC “Bank CenterCredit”, OJSC “UKTMK”, JSC “Kazakhstancaspishelf” and OJSC “Halyk Bank of Kazakhstan”. The repo rates vary from 12.55% to 16.00% APR for 29-260 days. The biggest amount – \$1,028.9 th. or 70.7% of all attracted money in this sector – was attracted by using the shares of OJSC “Bank CenterCredit”.

PIS lists

By the decision of the Board of Kazakhstan stock exchange (KASE), dated June 26, 2000, and based on the decision of the Exchange council, dated June 23, 2000, following securities were entered into official list of the Exchange under category “A”:

- **discounted bonds of the Republican state enterprise “Kazakhstan temir joly”** (Astana) of the Ministry of transportation, communication and tourism of Kazakhstan; the national identification number KZ2CLALN6A19, the trade code **TMJLb**; quotation accuracy in the trade system of the KASE – four decimal places.
- **discounted bonds of open joint stock company “Kazakhstanskaya kompanya po upravleniu elektricheskimi setyami”** (Kazakhstan Electricity Grid Operating Company – Astana); the national identification number KZ73LAIVAA09; the trade code **KEGCb**; quotation accuracy in the trade system of the KASE – four decimal places.

The beginning date of the trades will be announced additionally.

Issue, circulation and repayment terms of the first issue bonds of RGP “Kazakhstan temir joly”

General information of RGP “Kazakhstan temir joly” bond issue

Issue registration date:	June 21, 2000
Type of the securities:	discounted bonds, indexed by the change in the exchange rate of tenge to U.S. dollar
National identification number:	KZ2CLALN6A19
Face value, USD:	100.00
Issue volume, USD:	15,000,000.00
Number of bonds:	150,000

The issuer’s register is maintained by LLP “Kazregistr” (Almaty), the license #0406200022 of the National securities commission of Kazakhstan issued on August 3, 1999.

The issue terms do not contain norms that may discriminate or limit the rights of the owners to transfer (alienate) the securities.

OJSC “Bank TuranAlem” became the winner of the tender for offering the services regarding the placement of the bonds on the stock market of Kazakhstan. Later, by the request of the issuer, **OJSC “DB SECURITIES (KAZAKHSTAN)”** joined in the project. As a loan operator and an underwriter of the first part of the issue is a subsidiary of OJSC “Bank TuranAlem” – **LLP “TuranAlem Securities” (Almaty)**.

Offering and repayment terms of the bonds

Circulation term of the bonds – **1 year** (365 days) from the date they were entered into KASE official list of the securities. Circulation ends after 365 days from the time the bonds were entered into KASE official list of the securities.

The payments for the bonds, and their repayment are to be made **in tenges at weighted average rate of the KASE**, effective on the payment date.

The bonds are to be offered in two parts.

The first part of the issue for **10 mln U.S. dollars** in nominal terms (100 th. bonds) is placed within 33 days from the date they were entered into KASE list of securities under category “A” (June 23, 00) **through LLP “TuranAlem Securities”**. This brokerage-dealing company, who works as an underwriter of the first part of the issue, buys all issue volume of the first part and plans to place them on the secondary market. Apparently, the preference would be given to the KASE, since LLP “TuranAlem Securities” received a status of a specialist (market-maker, who has more strict requirements on mandatory quotations and spreads compared with regular market-maker) of RGP “Kazakhstan temir joly” first issue bonds.

The second part of the issue for **5 mln U.S. dollars** in nominal terms (50 th. bonds) is placed within 63 days from the date they were entered into KASE list of securities under category “A”, but not earlier than the first part of the issue will be placed completely. As the representative of LLP “TuranAlem Securities” informed IRBIS, no final decision was made on possible placement method of the second tranche. It is possible that they will be placed through KASE using the auctions, though direct subscription is also possible. A lot will depend on the placement results of the first part of the issue.

When the circulation term ends the first and the second part of the bond issue are repaid simultaneously at face value. In case, if the repayment date happens to be a week-end or a holiday, then the repayment date will be the next business day.

The owner of the bonds will receive an income equal to the difference between discounted value of the purchase and the repayment face value of the bonds. Those individuals, who purchased the bonds not later than **30 days till the officially announced maturity date of the bonds**, are entitled to receive an income.

Fund raising goals

The money, raised by the issue of the bonds, will be used to increase the working capital of RGP “Kazakhstan temir joly”.

General information on RGP “Kazakhstan temir joly”

Date of initial state registration – February 12, 1997. Legal status – Republican state enterprise. Ownership – state. Legal and actual address of the head office – 98, Pobeda Ave., Astana, 473000, Kazakhstan.

Licenses

- State license #TJ138735 to engage in railroad transportation issued on June 15, 1999. The license terms – **activities in transportation of passengers and cargo**; permitted work areas – international. Special terms of the license – the owner should: obey the tax, license, transportation laws, meet the sanitary, environmental, fire protection norms and regulations, road safety norms; possess the record keeping document that confirm the compliance with qualification norms set for this type of activity.
- State license #TJ138736 to engage in railroad transportation issued on June 15, 1999. The license terms – **activities in transportation of dangerous cargo**; permitted work areas – international. Special terms of the license – the owner should: obey the tax, license, transportation laws, meet the sanitary, environmental, fire protection norms and regulations, road safety norms; possess the record keeping document that confirm the compliance with qualification norms set for this type of activity.

Primary activities

- Cargo and passenger transportation services for the economy and for the population.
- Train movement security and safety of cargo.
- Security of the passengers.
- Maintenance and improvement of inventory.
- Efficient management of the Kazakhstani railroads, development of train movement schedules, norms of using railroad vehicles and transportation plans, organization of direct and mixed transportation system by using various transportation modes.
- International economic relations of Kazakhstan, exports and imports of goods.

History

Till the breakup of the Soviet Union the railroad network of Kazakhstan SSR was controlled by three structural subdivisions: Almaty, Tselinnaya and West Kazakhstan railroads, which were part of the Ministry of Road communication of USSR that had the general management over them.

When Kazakhstan received its independence the railroad transportation of the country consisted of three independent legal entities – Almaty, Tselinnaya and West Kazakhstan railroads, which in turn were divided into 14 railroad departments. Their economic activities run based on their own interests, often in disagreement with national interests. Technical renovation has almost stopped, and major overhaul of fixed assets has not been done. As a result, there was a big threat of train movement security, there were great debts to other companies and to the budget.

On January 31, 1997 by the decision of the government “On reorganization of the country’s railroad companies by merging republican state enterprises: Administration of Almaty railroads, Administration of Tselinnaya railroads, Administration of West Kazakhstan railroads” the Republican state enterprise “Kazakhstan temir joly” was established.

The reorganization covered all financial, economic and production departments of Kazakhstan's railroads. Centralized control and the presence of customs representative in each department of RGP "Kazakhstan temir joly" was provided. The number of the company employees was reduced from 159,536 in 1997 to 129,120 in the first quarter of 2000, including the management – from 7,348 to 5,862.

Characteristics of the activities

By the cargo turnover the railroad transportation keeps the first place in Kazakhstan. It accounts for more than 76% of cargo turnover against 16% of pipeline transportation, 8% of automobile, and tenths of percent – water and air transportation. Railroad transportation accounts for more than 50% of passenger traffic compared with 36% of that of automobile transportation, and 12% of air transportation.

Operating activity of RGP "Kazakhstan temir joly" is made of three components: cargo freight, passenger traffic and secondary economic activities. Cargo freight account for 75-78% of total income, 9-11% comes from passenger traffic, 11-16% comes from secondary economic activities.

Cargo freight

About 80% of cargo, transported by RGP "Kazakhstan temir joly", is coal, as well as various ores of ferrous and non-ferrous metals, crude oil and petroleum products.

Decrease in total volume of cargo, that began in early 90's, continued during the last 3 years. In 1998 it was explained mainly by 2% decrease in industrial production in the country and 14% decrease in exports. As a result, volume of transported cargo had fallen 5.7% by 1997. Only oil transportation grew 4.9%.

In 1999 introduction of free floating exchange rate of the tenge had a direct impact on the cargo freight dynamics. Switch to free floating exchange rate had a positive impact on the Kazakhstani exporters, which made the cargo exports to increase. The effect intensified as the world oil and metal prices grew – traditional items of the Kazakhstani exports. Fixing railroad tariffs helped to cut the transportation cost in exported goods, which in turn, served as an additional stimulus to increase the exports. However, the major changes were related to the dynamics of coal shipments. Aggregate decrease in coal shipments in 1999 relative to 1998 equaled 9.7 mln tons, which caused annual transportation to fall 4.3 mln tons, or 3.2%, notwithstanding 4.2 mln ton increase in the volumes of other cargo.

Besides general reduction in coal production, decrease in coal shipments was caused by the restrictions imposed by RGP "Kazakhstan temir joly" on coal companies of Ekibastuz base (April – May, July – August of 1999) due to their big debt arrears. The restriction were removed as long as the debt was repaid.

The indicators of the fourth quarter of 1999 were much bigger than those of similar period of 1998. The data of RGP "Kazakhstan temir joly" on January of 2000 show that the transit cargo freight growth trend is maintained. The volume of transit freight equaled 447 th. tons, income – 14.4 mln Swiss francs, which is by 21% and 7.7% more than those of January of last year, respectively. Preliminary data of this year show 30% increase in transit cargo freight in February relative to February of 1999.

The most of cargo freight of RGP "Kazakhstan temir joly" is based on the output of production industry of Kazakhstan, with 30 enterprises providing 80% of freight.

In coal industry the major cargo shippers are the enterprises of Karagandy and Ekibastuz coal pits, where 80% of all coal production of Kazakhstan is focused. The main consumers of Karagandy coking coal – JSCOT "Ispat-Karmet", metallurgical plants of Russia, Karagandy and Bishkek head and power stations. About 67% of coal, extracted at Ekibastuz coal pit, is consumed within the country, the rest is exported to Russia. There are ground to believe that due to economic growth, outlined in Russia and Kazakhstan, and residual deposits of coal at the Kazakhstani sites, the coal shipments will not decrease noticeably in next decades and may grow in the future.

In oil industry the major clients of RGP "Kazakhstan temir joly" are LLP "Tengizchevroil" and OJSC "SHNOS". Main part of oil extracted by LLP "Tengizchevroil" is exported, with the most of it being transported by railroad. Thus, 7.5 mln tons of 9.5 mln tons extracted in 1999 was transported by railroad. RGP "Kazakhstan temir joly" plans further increase in production, though when CPC pipeline is put into operation significant decrease in volumes of railroad shipments of oil in Kazakhstan should be expected.

In mining industry RGP "Kazakhstan temir joly" services the transportation between the producers of ore (OJSC "SSGPO", Donskoi and Lisakovskii GOK) and its consumers (JSCOT "Ispat-Karmet", Magnitogorsk, Kuzbass, Novolipetsk metallurgical combines). In non-ferrous metallurgy the main cargo shippers are OJSC "Corporation Kazakhmys", OJSC "Kazzinc" and OJSC "Aliuminii Kazakhstana". After the decrease in ferrous metal and ore shipments in 1998, a growth was noticed in late 1999 and early 2000 due to production increase, the world demand and price increase for these ores.

In 2000 a growth in gross domestic product of the country is observed, which also affects positively the freight.

Passenger traffic

The number of passengers carried on railroads decreased by 2.7 mln, or 12.8% in 1999 relative to 1998, which was caused both by the decrease of outgoing passengers by 46% and by the decrease of the passengers received from neighboring countries (54%) for their further movement. Moreover, the length of transportation decreased by 4.7%. All these was caused mainly by the decrease in purchasing power of the populations of Kazakhstan and neighboring countries.

Secondary economic activities

For the most part, secondary economic activities are done at the enterprises that are part of RGP "Kazakhstan temir joly". The income decline in 1999 (from 192 to 125 mln U.S. dollars) was mainly caused by the devaluation of the tenge after the introduction of free floating exchange rate. This revenue article will grow in the future because the enterprise plans to undertake a major overhaul and other services by itself.

The major factors affecting the company's activities

General economic situation in the country

Internal freight of RGP "Kazakhstan temir joly" is positively correlated with the production of major cargo and purchasing power of the population. The company accounts for 2/3 of the country's cargo turnover. Production decrease in 90's caused the need for transportation to fall. In 1999 cargo turnover of railroad transportation fell by almost 20% relative to 1996. In Kazakhstan industrial production remains to be at low levels, however, the growth observed in 1999-early 2000 has already affected the increase in demand for cargo freight, and it is possible that it would continue to grow further. Meanwhile, purchasing power of the population keeps falling, which makes RGP "Kazakhstan temir joly" to forecast passenger traffic decrease by 10% in 2000.

Situation on the world commodity markets

This factor affects international freight made by the orders of export oriented branches of Kazakhstan and cargo importing enterprises of Kazakhstan. Economic growth in the world and overcoming of the crisis by South East Asian countries causes the demand for main export items of Kazakhstan to increase (oil, petroleum products, coal, metals and ores, grain), which should increase international freight significantly.

Favorable geographic location of the country

This factor means attraction of significant volumes of transit cargo and passengers on Transasian railroad that passes through the country. Observed improvement in economy of Russia, continuing growth in Europe and China, ending of the crisis in South East Asia causes the trades between Europe and Asian countries to accelerate and it should increase transit freight noticeably.

State ownership

As in other CIS countries, the company that controls railroads of the country has a status of a natural monopoly and is an object of state regulation. State ownership determines complete dependency of RGP "Kazakhstan temir joly" on state bodies that control the transportation tariffs, thus, controlling the main source of RGP income. Complicated hierarchical management structure of the country's transportation system, including RGP "Kazakhstan temir joly", often causes inflexibility and insufficient response. On the other hand, this type of ownership makes it possible to rely on attracting large volumes of foreign investments under the guarantee of the state.

Tariffs

Based on the law of Kazakhstan "On natural monopolies", RGP "Kazakhstan temir joly" can change its tariffs not more than once in a quarter. The tariff changing procedure is similar to offering discounts on base tariff rate.

Internal cargo and passenger tariffs are regulated by the price current 1001, which was used in Soviet Union, and given in KZT. International tariffs are regulated by international tariff standards, and the company began using it in July of 1999. Import, export and transit tariffs are tied to Swiss francs.

Tariffs are differentiated based on many factors, such as: type of engine and cars used, load capacity usage and capacity of the cars, distance, transportation speed, and etc. The system of tariff discounts has a great importance for RGP "Kazakhstan temir joly". The discounts are set by Agency of Kazakhstan on natural monopoly regulation by the request of the shipper and after the coordination with RGP "Kazakhstan temir joly". From April 2000 Agency of Kazakhstan on natural monopoly regulation set following decreasing rates on cargo freight made by railroad:

- 0.75 on iron ore, concentrate and rolled briquettes, dolomite, limestone for fluxing.
- 0.5 on sulfuric acid;
- 0.7 on copper ore;

- 0.6 on rolled ferrous metal.

The first increase in tariffs from the establishment of RGP “Kazakhstan temir joly” (January 1997) took place on January 1, 2000, when oil and petroleum products export tariffs doubled, except for the transportation to Aktau port. From April 1, 2000 railroad tariffs for various cargo (ferrous and non-ferrous metals, limestone, alcoholic and tobacco items, cotton fiber, lumber and others) were increased from 20 to 100%.

Production and material-technical base

According to international accounting standards, the management of RGP “Kazakhstan temir joly” made a decision to conduct the re-valuation of fixed assets based on the recommendations of Price Waterhouse Coopers and Ernst & Young companies as of December 31, 1997. RGP has conducted re-valuation of all fixed assets, except for buildings, with the adjustments to market value of fixed assets purchased when RGP “Kazakhstan temir joly” was first created by making corresponding records that decreases the amount of additional capital.

The structure of RGP “Kazakhstan temir joly” includes a number of entities that have their own management and fixed assets.

Fixed assets of track facilities

Fixed assets of track facilities of RGP “Kazakhstan temir joly” include superstructure of a road, artificial constructions, subgrade and various machinery and mechanisms. The proportion of fixed assets that belong to track facilities exceed 50% of all fixed assets of RGP, of which 53.4% is superstructure of a road.

Total length of main roads of RGP “Kazakhstan temir joly” is 18,676.3 km, with 13,601.1 km of exploitation length. The length of stationary and special roads is 6,451.2 km. The number of tracking vehicles is currently at 629 units.

Average depreciation of all fixed assets of the tracking facilities is 61.4%, including superstructure – 58%, artificial construction and subgrade – 65%, machinery and mechanisms – 53.1%.

Fixed assets of engine facilities

As of January 1, 00, main part of fixed assets of engine facilities is made of 2,162 engines, including 1,446 diesel engines, 629 electric engines and 87 steam engines. Moreover, the engine depo has 924 buildings.

Despite a significant wear and tear of engines, they are kept in working condition. From 1999 RGP “Kazakhstan temir joly” repairs engines by itself at Atbasar depo station (before this the repairs have been made in Russia).

Fixed assets of car facilities are made of cargo cars, buildings and equipment. As of January 1, 00, RGP “Kazakhstan temir joly” had 86,472 cars. There are also 1,068 buildings and 2,402 units of equipment in car facilities.

Wear and tear degree of cargo cars is higher than that of engines: 41% has been used for 20 to 30 years, 8% for more than 30 years. Service life of 10 to 30% of the cars (depending on the type) exceed specified limits.

Fixed assets of passenger facilities. As of January 1, 00, RGP “Kazakhstan temir joly” had 2,078 passenger cars. By the data of RGP, average service life of the cars is less than that of cargo cars, and service lives of the most of passenger cars do not exceed the norms (32 years).

Fixed assets of power facilities. There are 9.9 th. km of power lines in use. Despite the fact that 25% of the network has been used for more than 30 years, in general, it provides a good power supply. About 26 th. off the ground power lines are used, 504 transformer substations, 18 mobile and 77 stationary power stations of various powers. Also, fixed assets of RGP “Kazakhstan temir joly” includes 9,026 buildings, of which 9.5% require major overhaul for KZT102 mln.

Fixed assets of signaling and communication facilities. 78%, or 10,223 km of used length of the roads is equipped with autoblocking. 2,375 switches of electrical signaling, or 15% of the total number has been used for more than 30 years. 880 km of dispatcher centralization, or 10% of total length is physically and morally obsolete. However, all fixed assets of signaling and communication facilities is kept in working condition.

Development strategy of RGP “Kazakhstan temir joly”

Marketing

At present, RGP “Kazakhstan temir joly” reached several agreements that could attract additional transportation volumes due to re-orientation of some freight flows through Kazakhstan.

From January 2000, Magnitogorsk metallurgical plant has conducted a shipment of metal-roll to Iran through Aktau port (previously shipment was in Astrakhan port). By the year end, volume of cargo shipment could reach 200 th. tons.

The shipment of chemical fertilizers by JSC “Uralkalii” and JSC “Silvinit” Russian companies to China could attract another 100 th. tons of cargo.

Important work is being made to attract more Russian clients including manufacturers of metallurgy, chemical, and timber industries.

The contract on bilateral transit tariff cuts between RGP "Kazakhstan temir joly" and Uzbekistan rail road company is going to be prolonged.

The project on establishment of unified rates on transportation of goods through Russia at internal tariffs is being jointly prepared by Kazakhstan and Byelorussia.

The work on attraction of clients from non-CIS countries on goods transportation through Northern Route of Trans-Asian rail road is also among the tasks currently executed.

As a result of continuous meetings with representatives of Finland rail roads the first shipment of goods in large capacity containers to China was undertaken in March 2000.

Formation of new transit routes including Finland - Iran direction (section on the eastern coast of Caspian Sea) as well as the second branch of Northern Route of Trans-Asian rail road, which will pass through Astana, Tobol and Ufa is considered too.

RGP "Kazakhstan temir joly" initiated resolution #258 "On customs registration of transit goods transported by rail road transport" dated on March 18, 1999 that significantly simplifies the procedure of custom registration thanks to introduction of fixed fee for transit goods customs clearing. Furthermore, the company plans to receive a status of customs broker. This will enable to abandon the deposit provision of transit excise goods and increase transportation volume of these goods through Kazakhstan.

The company also established representative offices in Central Asian region (Tashkent), Baltic-Black Sea region (Minsk) and Asian-Pacific region (Beijing and Urumchi) with the purpose to attract additional volumes of transit transportation.

RGP "Kazakhstan temir joly" created a commission on rendering of special rates of transit goods shipping. The special tariff rates could be given on terms of trilateral agreements between consignor - forwarder - RGP "Kazakhstan temir joly". The special rates are granted on the assumption of economic efficiency.

Investment program

In 2001-2005 RGP "Kazakhstan temir joly" forecasts the increase of goods turnover by 1.0-1.5% annually. Growth rates of passenger turnover is expected to be higher: 1.2-2.4%, at the same time, in 2000 more than 10% decrease is expected to be within the same indicators. This is connected with low level of consumer demand of population anticipated in this year.

Forecasts state that because of inflation rate, growth in expenses and earnings will be higher than the production figures. At the same time expenses will grow fast than earnings as the industrial goods and services prices outpace rates of rail road tariffs.

The main task of the RGP "Kazakhstan temir joly" investment program is to develop and implement a number of measures on rail road capacity modernization, reduction of operating expenditures and introduction of new technologies.

For the period of 2000-2005, the company plans to spend KZT50,788 mln on the development of its production and infrastructure facilities. Besides, in 2000-2001 the company will attract KZT3,735.8 mln. of credits from European Bank for Reconstruction and Development (EBRD) and OECF fund (Japan). The funds of EBRD are supposed to spend on acquisition of diagnostic equipment and small-scale mechanization facilities. The funds of OECF will be spent on continuation of "Rail transportation facilities development" project financing that was started in 1996.

Besides, there are several other projects to be implemented in 2000:

- construction of Aksu rail road with total length of 185.5 km (financing - KZT461 mln);
- development of factory repair facilities for rolling-stock at: Atbasar station (KZT116 mln), Shu station (KZT19 mln), Kazalinsk station (KZT8 mln); Almaty station (KZT1,194.4 mln), of which OECF loan - KZT894.4 mln, company's resources - KZT300 mln);
- development of software and communication systems (KZT712.6 mln);
- implementation of automatic control centers, alternative technologies and registration equipment;
- rehabilitation of rail road bridges (KZT300 mln).

As of April 1, 2000, announced authorized capital of RGP "Kazakhstan temir joly" equaled KZT971,382,000, with the paid authorized capital of **KZT904,631,000**.

Based on the listing requirements the issuer has presented: consolidated financial statements (balance sheet, income statement and cash flow statements) for the years 1997-1999, as well as balance sheet and income statement for the first quarter of 2000. These financial statements were made in accordance with the Kazakhstani accounting standards (KAS). Moreover, the KASE has auditing report of Ernst & Young (Almaty,

Kazakhstan) made in accordance with International accounting standards on consolidated financial statements of RGP "Kazakhstan temir joly" for the years 1997-1999.

Following is the table created by the KASE specialists based on financial statements of RGP "Kazakhstan temir joly" (in th. KZT, unless otherwise specified).

Ratio	As of Jan.1, 98	As of Jan.1, 99	As of Jan.1, 00	As of Apr.1, 00
Authorized capital (paid)	971,382	910,831	904,631	904,631
Shareholders' equity	316,535,984	285,368,587	144,109,730	140,387,098
Book value of the assets	351,127,375	325,134,256	187,628,944	180,519,990
Net working capital	12,863,116	11,446,474	15,002,692	12,234,869
Accounts receivable	23,427,246	24,540,385	27,006,272	21,571,832
Liabilities, total	34,591,391	39,765,669	43,519,214	40,132,892
including long-term loans	2,117,843	12,646,140	16,214,804	15,688,979
including short-term loans	469,594	507,674	1,148,460	1,148,460
including other liabilities	32,003,954	26,611,855	26,155,950	22,799,338
Sales (services offered)	90,353,657	110,444,765	99,779,061	34,718,110
Net income (loss)	4,150,190	(3,284,850)	174,212	248,108
Return on sales (ROS), %	17.94	7.53	24.97	32.92
Return on equity (ROE), %	1.31	–	0.12	0.18
Return on assets (ROA), %	1.18	–	0.09	0.14

Auditing report data

Following is the table created by the KASE specialists based on auditing report of Ernst & Young (in th. USD, unless otherwise specified).

Ratio	As of Jan.1, 98	As of Jan.1, 99	As of Jan.1, 00
Authorized capital (paid)	8,086	8,086	8,086
Shareholders' equity	652,616	597,168	696,274
Book value of the assets	1,182,732	1,128,192	1,028,959
Net working capital	-82,716	-153,351	-13,750
Accounts receivable (net)	122,847	73,478	63,106
Liabilities, total	530,116	531,024	332,685
including long-term loans	143,834	134,070	132,067
including short-term loans	25,375	43,011	13,124
including other liabilities	360,907	353,943	187,494
Sales (services offered)	1,060,603	1,120,473	640,870
Net income (loss)	78	(55,448)	99,106
Return on sales (ROS), %	3.24	–	15.30
Return on equity (ROE), %	0.01	–	14.23
Return on assets (ROA), %	0.01	–	9.63

In auditing report of Ernst & Young, made on financial statements of RGP "Kazakhstan temir joly" for the years 1997-1998, it is said that the auditor was present when stock taking had been carried out as of December 31, 1997 and 1998. Since this residual value is used when identifying the results and cash flows, the auditor was not able to identify the need for any corrections in final results and cash flows of RGP "Kazakhstan temir joly" as of indicated dates and on December 31, 1999, also he did not make his opinion regarding the appropriateness of distributions between additional contribution to the authorized capital and undistributed income as of December 31, 1998.

It is said in auditing reports for the years 1998 and 1999 that because of an absence of independent valuation of future expenses reserves of RGP "Kazakhstan temir joly" related to pensions of its employees and the retirees, the auditor was not able to assess the effects of this absence on income statements and financial situation of RGP "Kazakhstan temir joly" as of December 31, 1998 and 1999.

In the opinion of the auditor, except for those mentioned above, consolidated financial statements give reliable representation of the company's financial situation in all aspects as of December 31, 1997 and 1998, of its income statements and cash flow statements as of indicated dates in accordance with International accounting standards. The conclusion of the auditor on consolidated financial statements of RGP "Kazakhstan temir joly" for the years 1998-1999 is conditionally positive.

Brief description of risks related to the activities of RGP "Kazakhstan temir joly"

Practically there is no competition on domestic railroad transportation market of Kazakhstan, since this type of transportation accounts for 2/3 of all transportation. Other main types of the transportation – automobile, pipeline, air – are more likely to supplement the railroad transportation rather than competing with it.

Soon significant negative impact on the load of railroads can be made by only an increase in flow capacity of the system of export pipeline routes, including CTC pipeline to be put into service in June of 2000. It may incur losses of orders for about 8-10 mln tons (exports of LLP "Tengizchevroil and other companies of Mangistau region) a year. It corresponds to 6-7% of total cargo turnover, and taking into account the fact that the losses

can be partially compensated by an increase in railroad oil transportation from west Kazakhstan to China, it can not be considered an important factor.

On international railroad transportation market the positions of RGP “Kazakhstan temir joly” are still weak. Presently, the company is taking necessary measures to develop transportation corridors that pass through Kazakhstan and to completely integrate the country’s railroads into Eurasian transportation system.

Risks related to economic factors

The volume of cargo transported is in direct relationship with economic situation in the country. Physical volume of industrial output of Kazakhstan shrank 2 times from 1990 through 1999, causing a sharp decline in cargo freight volume as well. In 1995 and in early 2000 an economic growth is being noticed. Official forecasts say that growth in GNP will reach 3.5% in this year.

The country was able to evade hyperinflation due to a switch to free floating exchange rate of the tenge, and as a whole, overcome negative influences of the Russian and South East Asian crises. Growth of the world prices on the items that make up the Kazakhstani exports – oil, metals, grain – is also stimulating economic development. Taking into account current situation, supposed increase in exports and transit transportation through Kazakhstan, in near term the risks of this category can be considered relatively small.

Risks related to tariff policy and devaluation of tenge

In case of a sharp devaluation of the tenge RGP “Kazakhstan temir joly”, due to its natural monopoly status and the legislation of Kazakhstan, can not change tariffs, for at least during the quarter. Decrease in dollar revenues can create difficulties upon the repayment of debts in foreign currencies. However, due to current situation on financial market of Kazakhstan and that of its main partner, Russia, perspectives of sharp devaluation can be considered weak for the near term.

Risks related to technical factors

Throughout the last few years RGP “Kazakhstan temir joly” practically was not able to include the funds necessary for long-term investments into the tariffs. Under such conditions the company has to create capital investments program mainly by using external financing, and first of all, foreign loans. Insufficient volume of capital investments caused aging of fixed assets. By the estimates of RGP “Kazakhstan temir joly”, the situation is hardly to change in this area soon. Planned increase in transportation intensity makes the renovation of fixed assets more important.

Aging of material and technical base has not had negative impacts yet (in 1999 the defects were reduced by 47% relative to 1998, while cargo and passenger transportation decreased by 9%), however, investments into fixed assets remain as one of the major problems.

Risks related to non-payments

Non-payments of mainly the companies in coal industry are serious problems. The amount of mutual settlements and barter deals reaches 30% of all settlements of RGP “Kazakhstan temir joly”. In the second and third quarters of 1999 due to chronic non-payments the company had to impose limits on coal shipments. In 2000 on account of accounts receivable of Ekibastuz coal enterprises RGP “Kazakhstan temir joly” intends to buy railroad vehicles.

Growth in accounts receivable brought up the problem of working capital deficiency. As a result, RGP “Kazakhstan temir joly” had to apply for short-term bank loans to fill up its working capital to the levels required for a normal functioning of the company.

Consistent position of RGP “Kazakhstan temir joly”, as well as general recovery of the country’s financial situation, may weaken this problem in coming years.

Issue, circulation and repayment terms of the first issue bonds of OJSC “KEGOC”

General information on the bond issue

Issue registration date:	June 13, 2000
Type of the securities:	discounted bonds, indexed by the change in the exchange rate of tenge to U.S. dollar
National identification number:	KZ73LAIVAA09
KASE trade code:	KEGCB
Face value, USD:	100.00
Issue volume, USD:	2,500,000.00
Number of bonds:	25,000

The issuer’s register is maintained by LLP “Kazregistr” (Almaty), the license #0406200022 of the National securities commission of Kazakhstan issued on August 3, 1999.

The issue terms do not contain norms that may discriminate or limit the rights of the owners to transfer (alienate) the securities.

Offering and repayment terms of the bonds

Offering and circulation of the bonds begins **on August 1, 2000**. Offering will last 80 days. Circulation term is 91 days from the time the offering began (**Oct.31, 00**). Circulation of the bonds will end 5 business days before the maturity date.

The bonds are repaid at their face values on the 91st day from the date the circulation started. If the maturity date happens to be a week-end then the owners of the bonds will receive the payments on the first business day after the week-end.

The issuer has the right to recall the bonds.

All repayments are to be made **in tenge to U.S. dollar exchange rate of the National Bank of Kazakhstan**, effective on the payment date.

The owner of the bonds will receive an income equal to the difference between discounted value of the purchase and the repayment face value of the bonds.

Fund raising goals

The money, raised by the issue of the bonds, will be used to finance the main production of OJSC "KEGOC" to conduct major overhaul under the most favorable climatic conditions, as well as to purchase the equipment that prevents emergency situations in the network and lowers the losses of neglected electricity.

General information on OJSC "KEGOC"

Date of initial state registration – July 11, 1997. Legal status – Open joint stock company. Ownership – private. Legal address of the head office – 60, Republic Ave., Astana, 473000, Kazakhstan. Actual address (location) – 7, Bogenbai batyr Ave., Saryarka district, 473000, Astana, Kazakhstan.

Primary activities

Main activities of OJSC "KEGOC" in accordance with the Charter are:

- transmission and distribution of electricity through electric grids,
- organization of centralized dispatcher management of the objects of United Electrical and energy System of Kazakhstan,
- exploitation and repair of electric grid objects, their reconstruction and development by introducing effective methods and advanced technologies.

In accordance with the law of Kazakhstan "On electric energy", OJSC "KEGOC" is a system administrator of the electricity market and performs following functions:

- management of the generation, transmission and consumption of electricity in the united energy system on the basis of legal norms of Kazakhstan in accordance with the distribution of dispatcher management zones and the agreements on purchase and sale and transmission of electricity;
- management of interstate electricity flows;
- transmission of electricity through 220-500 kV electric networks based on purchase and sale agreements.

The company is a natural monopoly in electricity generation and distribution area.

The major consumers of OJSC "KEGOC" services are big industrial enterprises (67%) which are connected to 220-500 kV electric networks, and regional electricity companies (33%). Volume of services depends on industries activities of the Northern, Eastern, Central and Southern regions where the most of the consumers are located.

Licenses

- State license #0001059 of the Ministry of energy, industry and trade of Kazakhstan, dated July 20, 1998, to transmit and distribute electricity. Validity – till July 20, 2001.
- State license #0002623 of the Ministry of energy, industry and trade of Kazakhstan, dated May 4, 2000, to resale electricity. Validity – till December 31, 2001.
- State license #0000227 of the Ministry of transportation and communication of Kazakhstan, dated March 30, 1998, to engage in entrepreneurship activities to offer local communication services. Validity 10 years.
- State license #0000228 of the Ministry of transportation and communication of Kazakhstan, dated March 30, 2000, to engage in entrepreneurship activities to lend communication lines. Validity 10 years.

- State license #0000934 of the Committee on standardization, metrology and certification of the Ministry of energy, industry and trade of Kazakhstan, dated February 15, 2000, to check measurement gages in accordance with the licensed area.

History and additional information

OJSC “KEGOC” was established on July 11, 1997 as a joint stock company of open type based on the resolution #802 of the State property management committee of Kazakhstan, dated December 10, 1996, by transferring the assets of State republican enterprise “National electricity system “Kazakhstanenergo” into authorized capital of the company. On May 26, 1999 the company was re-registered as open joint stock company “Kazakhstan electricity grid operating company” (“KEGOC”).

The founder of OJSC “KEGOC” is the State property management committee of Kazakhstan which owns 100% of shares.

The company has 9 branches of intersystem electric networks (IEN), created on territorial basis and Central dispatcher of United Electrical and energy System of Kazakhstan located in Almaty.

OJSC “KEGOC” is a member of the Association of industrial producers and the Kazakhstani energy association.

As of May 1, 2000, the number of OJSC “KEGOC” employees, including the head office, is 4,388.

Credit ratings

In September 1998 OJSC “KEGOC” received credit rating **BB+ “stable”** (in local currency) and **BB– “stable”** (in foreign currency) from Standard & Poor’s, as well as **Ba3 “stable”** from Moody’s.

Subsequently, due to a decrease of the country’s credit rating in foreign currency, Standard & Poor’s lowered the ratings of OJSC “KEGOC” from BB+ to **BB–** in local currency and from BB– to **B+** in foreign currency.

Structure of the company

OJSC “KEGOC” has 9 IEN branches, Central dispatcher of United Electrical and energy System of Kazakhstan located in Almaty. IEN branches that control system forming electric network objects are located throughout Kazakhstan:

- **“Western IEN”** (Atyrau) is located in Atyrau and Mangistau regions and not connected to UES of Kazakhstan. Energy sources: Mangyshlak atomic energy combine (MAEC), that includes Atyrau TETS-1, TETS-2 and TETS-3 (Hydropower stations), regional power station – Atyrau TETS, local power stations (Tengiz GTES, and TETS of Atyrau oil refinery (OJSC “ANPZ”).
- **“Aktobe IEN”** (Aktiubinsk) is located in Aktobe and West Kazakhstan regions and not connected to UES of Kazakhstan. Uralsk power unit is connected to electric networks of “Western IEN”. There is no connection between Aktobe and Uralsk power units. Energy sources: power stations of the Russian Federation (most part) and partially local power stations (Uralsk TETS, Aktobe TETS, Akturbo, Janajalskaya GTES and TETS of Alginskii chemical plant).
- **“Sarbaiskii IEN”** (Rudnyi) is located in Kostanai region. The networks of the branch is a part of UES of Kazakhstan and connected to the networks of “Akmola IEN” through intersystem power lines, to neighboring energy networks of the Russian Federation through interstate power lines. Energy sources: national power stations of Pavlodar region and partially local power stations (Rudnyi, Kostanai, Arkalyk TETS).
- **“Akmola IEN”** (Astana) is located in Akmola and North Kazakhstan regions. The networks of the branch is a part of UES of Kazakhstan and connected to the networks of “Sarbaiskii IEN”, “Northern IEN”, and “Central IEN” through intersystem power lines, to neighboring energy networks of the Russian Federation through interstate power lines. The power is transmitted through the power networks of the branch to “Sarbaiskii IEN” and “Central IEN” branches. Energy sources: national power stations of Pavlodar region, regional power stations (Akmola TETS-2, Petropavl TETS-2), and local power stations (Akmola TETS-1, TETS of Akmola mining and chemical combine (CJSC “KazSabton”), (Sergeevsk GES).
- **“Northern IEN”** (Ekibastuz) is located in Pavlodar region. The networks of the branch is a part of UES of Kazakhstan and connected to the networks of “Eastern IEN”, “Akmola IEN”, and “Central IEN” through intersystem power lines, to neighboring energy networks of the Russian Federation through interstate power lines. The power is transmitted through the power networks of the branch to UES of Kazakhstan. Energy sources: national power stations (Aksu GRES, Ekibastuz GRES-1 (LLP “AES-ST Ekibastuz”), Ekibastuz GRES), regional power stations (Pavlodar TETS), local power stations (Pavlodar TETS-1, Pavlodar TETS-2, Ekibastuz TETS).
- **“Eastern IEN”** (Ust-Kamenogorsk) is located in Eastern Kazakhstan region. The networks of the branch is a part of UES of Kazakhstan and connected to the networks of “Northern IEN” through intersystem power lines, to neighboring energy networks of the Russian Federation through interstate power lines. Energy sources: national hydroelectric stations (Bukhtarminsk GES, Ust-Kamenogorsk GES, Shulbinsk GES),

regional power stations (Ust-Kamenogorsk TETS) and local power stations (Leninogorsk TETS, Sorginsk TETS, Semipalatinsk TETS, Tishinsk GES, Khariuzovsk GES, Zaisan GES).

- **“Central IEN”** (Karagandy) is located in Karagandy region. The networks of the branch is a part of UES of Kazakhstan and connected to the networks of “Akmola IEN”, “Northern IEN”, “Eastern IEN”, “Almaty IEN” and “Shymkent IEN” through intersystem power lines. Energy sources: national power stations of Pavlodar and Eastern Kazakhstan regions (Karagandy GRES-2), regional power stations (Karagandy GRES-1 and TETS-3, Jezkazgan and Balkhash TETS), local power stations (Karagandy TETS-1, Karagandy TETS-2, TETS of JSCOT “Ispat-Karmet”, Tentek TETS).
- **“Almaty IEN”** (Almaty) located in Almaty region. The networks of the branch is a part of UES of Kazakhstan and connected to the networks of “Central IEN” and “Shymkent IEN” through intersystem power lines, to neighboring energy companies of Kyrgyzstan through interstate power lines. Energy sources: local power stations (Almaty TETS-1, Almaty TETS-3 (GRES), Tekeli TETS, cascade of Almaty GES, Antonovsk GES, Karatal GES, Uspensk GES).
- **“Shymkent IEN”** (Shymkent) is located in Jambyl, Shymkent and Kyzylorda regions. The networks of the branch is a part of UES of Kazakhstan and connected to the networks of “Central IEN” and “Almaty IEN” through intersystem power lines, to neighboring energy companies of Kyrgyzstan and Uzbekistan through interstate power lines. Electric networks of the branch provide simultaneous work of UES of Kazakhstan and UES of Central Asia. Energy sources: sources of Kyrgyzstan, North Kazakhstan, local power stations (Jambyl GRES), regional power stations (Shymkent TETS-3, Shardara GES), local power stations (Jambyl TETS, Kyzylorda TETS, Shymkent TETS-1 and TETS-2, Kentau TETS, as well as power stations at the space ship launch site (rented by Russia) Baikonur TETS, GRES of object “K”).

Dynamics of power transmission

In 1999 OJSC “KEGOC” transmitted 21.8 bln kWh, which is less than that of 1998 by 0.9 bln kWh, or by 4.5%. Decrease in power transmission through the grids of the company was caused by unstable work of OJSC “SSGPO” in 1999, as well as industrial enterprises of Eastern Kazakhstan, Akmola, Karagandy and Jambyl regions.

Decrease in the volumes measured in tenges was caused by offering 5-25% discounts to constant clients of OJSC “KEGOC” in compliance with Antimonopoly committee. There are a number of big companies which are constant users of power and which received up to 50% discounts.

According to the forecast developed by OJSC “KEGOC” based on the country’s indicative plan of social and economic development in 2000 approved by the government of Kazakhstan:

- consumption of electricity in Kazakhstan is expected to be 51,500 mln kWh;
- electricity generation by domestic power stations of Kazakhstan – 49,300 mln kWh;
- imports of electricity – 2,200 mln kWh;
- volume of services offered by OJSC “KEGOC”, taking into account new calculation methods of electricity transmission tariffs and decrease in the tariff to distance ratio, is expected at 23,000 mln kWh;
- operating income of OJSC “KEGOC” is expected at KZT9.44 bln.

From April 1, 2000 discounts on transmission tariffs through the company grids were cancelled, as well as new tariff calculation method was introduced, which will allow the company to expand its services while creating equal opportunities to all participants. Tariffs were set for dispatching power and consumption of imported power, which is to affect all energy sources of Kazakhstan (for distributing electricity from bus-bars), as well as the consumers of imported power. For the consumer there is a differentiation of tariffs on transmission of the electricity based on the distance, but it is less affected when the distance is more than 600 km.

Investments

From January 1998 OJSC “KEGOC” is a participant of CJSC “APF Halyk Bank of Kazakhstan” (Almaty) with 20% participation in the authorized capital. In 1999 investments were increased by KZT20,000 mln by the decision of shareholders general meeting held on October 11, 1999 by recapitaization of net income received in 9 months of 1999, and by keeping the stake in authorized capital of CJSC “APF Halyk Bank of Kazakhstan”.

Information on the most important contracts

To modernize the main equipment of OJSC “KEGOC”, on December 1999 \$140 mln loan agreement was signed with the World bank and \$45 mln agreement with European bank for reconstruction and development.

The World bank loan was granted for 20 years with 5 year promotional term. EBRD loan was granted for 15 years, with 3 year promotional term.

The loans are to be repaid by equal semiannual installments. These loans were received by OJSC “KEGOC” under the guarantee of the government of Kazakhstan. The guarantee agreement was signed between the government and the World bank on December 3, 1999, and with EBRD on December 21, 1999.

Long-term strategy of OJSC “KEGOC”

Long-term strategy of the company was developed for the years 2001 through 2005 and includes following activities:

- Modernization and reconstruction of existing electric network to maintain its working condition, increase the efficiency of the services, decrease the electricity transmission costs, as well as increase its reliability and safety.
- Optimization of OJSC “KEGOC” financial structure to provide sufficient financing of current activities and to make currently used capital cheap:
 - building capital structure management system and development of the fund raising mechanisms on domestic and international capital markets in order to use only financial levy, as well as making borrowed funds cheap while increasing borrowing terms;
 - development of a flexible tariff policy which is the stimulus to increase energy consumption in the country.
- Implementation of the project “Rehabilitation of power grids” by using long-term loans of the World bank and European bank for reconstruction and development.
- Development of wholesale and retail power markets.

Total need for financing “Rehabilitation of power grids” project, including interests during the construction period and commissions on the loan, is estimated at 257.2 mln U.S. dollars. Financing that has to come from OJSC “KEGOC” is 73.4 mln U.S. dollars (or 28.4% of total loan) and is to originate from internal monetary flows (14.44 mln U.S. dollars a year) during five year implementation period of the project.

The company has developed an Indicative development plan for national power grid for the years 2001-2205 costing KZT45,536 mln, to be used to solve the matters related to the increase in reliability of the works and renovation of fixed assets of all production and technological complex, including:

- making fire safety and security systems in compliance with existing norms that require KZT217 mln;
- reconstruction and modernization of existing substations, of which those to be carried out under “Modernization of national power grids” program: 5 substations for 500 kV; 21 substations for 220 kV; total expenses – KZT25,536 mln (including the World bank and EBRD loans for KZT18,966 mln);
- replacement of transformers and installation of reactive capacities for 1,311 th. kVA and 520 MVA (under “Modernization of national power grids” program using the funds of OJSC “KEGOC”), expenses – KZT3,238 mln;
- reconstruction of power lines with total length of 1,475 km, expenses – KZT2,794 mln;
- modernization of telecommunication equipment for the system of controlling the National power grids (SCADA/EMS), expenses – KZT9,996 mln (including loans of the World bank and EBRD for KZT8,512 mln);
- creation of repair floors to solve the problem of centralized repair of high voltage inlets of substations and other electrical equipment, expenses – KZT708 mln;
- purchase of diagnosing and special equipment for KZT1,754 mln, which will let the company to eliminate emergency situations quickly and not to allow unpredictable deviations;
- purchase of emergency reserve of equipment for KZT1,293 mln to provide renewable reserves required to eliminate emergency situations quickly.

After the implementation of these activities the volume of power transmission through the networks of OJSC “KEGOC” will increase from 23.0 bln kWh in 2000 to 26.0 bln kWh in 2005, or 11.5% as a result of gradual substitution of imported power for bordering regions, growth in total consumption of electricity in the country and change in the tariff policy of the company.

Data of financial statements presented by the issuer

Announced authorized capital of OJSC “KEGOC” is KZT100 bln. Issued authorized capital is KZT74,069,000,630. Total number of shares – 7,406,963 with the face value of KZT10,000.00. The number of common inscribed shares is 7,406,963.

Based on the listing requirements the company presented: consolidated financial statements (balance sheet, income statement and cash flow statements) for the years 1997-1999, as well as balance sheet and income statement for the first quarter of 2000. These financial statements were made in accordance with the Kazakhstani accounting standards (KAS). Moreover, auditing reports of “**Arthur Andersen**” (Almaty, Kazakhstan) made in accordance with the Kazakhstani and International accounting standards on consolidated

financial statements of OJSC “KEGOC” for the years 1997-1998, as well as report of “KPMG Janat” (Almaty, Kazakhstan) on financial statements of KEGOC for 1999.

Following is the table created by the KASE specialists based on financial statements of OJSC “KEGOC” (in th. KZT, unless otherwise specified).

Ratio	As of Jan.1, 98	As of Jan.1, 99	As of Jan.1, 00	As of Apr.1, 00
Authorized capital (paid)	59,633,300	74,069,630	74,905,777	74,905,777
Shareholders' equity	73,464,564	72,892,379	68,163,900	68,470,599
Book value of the assets	74,799,582	75,549,639	69,183,252	69,388,770
Net working capital	6,850,538	4,190,338	2,956,333	4,352,181
Accounts receivable	6,987,068	5,636,244	2,654,902	3,113,958
Liabilities, total	1,335,018	2,657,260	1,019,352	918,171
Sales (services offered)	3,375,730	10,562,362	8,081,361	2,448,394
Net income (loss)	118,153	(2,185,979)	(4,855,632)	306,699
Return on sales (ROS), %	20.75	13.49	9.73	30.24
Return on equity (ROE), %	0.16	—	—	0.45
Return on assets (ROA), %	0.16	—	—	0.44

Auditing report data

Following is the table created by the KASE specialists based on auditing report of “Arthur Andersen” and “KPMG Janat” (in th. KZT, unless otherwise specified).

Ratio	As of Jan.1, 98	As of Jan.1, 99	As of Jan.1, 00
Authorized capital (paid)	59,633,300	74,069,630	74,905,777
Shareholders' equity	73,310,136	72,892,379	68,163,900
Book value of the assets	74,645,154	75,549,389	69,173,252
Net working capital	6,850,788	4,190,588	2,956,333
Accounts receivable (net)	6,717,120	5,540,334	2,159,256
Liabilities, total	1,335,018	2,657,010	1,019,352
Sales (services offered)	3,375,730	10,562,362	8,081,361
Net income (loss)	118,153	(2,185,979)	(4,855,632)
including: provisions	36,374	1,522,632	2,962,721
Return on sales (ROS), %	20.75	13.49	9.73
Return on equity (ROE), %	0.002	—	—
Return on assets (ROA), %	0.16	—	—

Based on auditing report of “Arthur Andersen”, as of December 31, 1998 the loss of OJSC “KEGOC” was lowered due to the creation of following reserves:

- on obsolete objects of incomplete construction for KZT2,000,430.0 th., which caused fixed assets and other long-term assets to be overvalued;
- on old stock and obsolete inventory for KZT191,287.0 th., which caused inventory to be overvalued;
- on bad debts for KZT1,621,557.0 th., which caused current assets to be overvalued.

In 1998 report the auditor notes that in 1998 OJSC “KEGOC”, taking into account his remarks, recalculated depreciation expenses of certain assets that caused depreciation expenses in 1997 to decrease approximately by KZT154,428.0 mln.

In opinion of “Arthur Andersen”, financial statements of OJSC “KEGOC” give reliable representation of the company's financial situation in all aspects as of December 31, 1997 and 1998, of its income statements and cash flow statements from January 1 through December 31, 1998 and from September 1 through December 31, 1997 in accordance with Kazakhstani accounting standards

In its 1999 auditing report “KPMG Janat” notes that as of December 31, 1999 OJSC “KEGOC” did not created reserves on objects of incomplete construction, which is to be completed, as well as on objects that were passed to the company by the government of Kazakhstan as a contribution into authorized capital. The company conducts talks with the government to get a permission to write off these assets by decreasing the authorized capital. As of December 31, 1999 the cost of incomplete construction is probably overvalued by KZT1,641,549 th. If the talks with the government are not successful, then the company will probably incur additional loss of KZT1,641,549 th. at the end of 2000.

In the opinion of “KPMG Janat”, financial statements give reliable representation of the company's financial situation in all aspects as of December 31, 1999, of its income statements and cash flow statements as of indicated dates in accordance with Kazakhstani accounting standards. The auditing report is conditional.

Brief description of risks related to the activities of OJSC “KEGOC”

Economic risks. The activities of OJSC “KEGOC” are to a certain degree depend on the changes in tariffs on electricity and on offering discounts to the consumers of electricity in coordination with Antimonopoly committee, changes in tax policy of the state, as well as on inflow of money for electricity used by the consumers, which is affected by seasonal fluctuations.

Risks related to technical factors. Average life of the grid and equipment owned by OJSC “KEGOC” is 27-48 years. Fixed assets account for 86% of all assets of the company, with the most of them being obsolete and worn out, which may make the company to default on its obligations to its customers for transmission of electricity followed by payments of fines and subsequent malfunctioning of national power grids.

Risks related to competition. The company is a natural monopoly in transmission of electricity, therefore this risk factor can be considered insignificant.

Environmental risks. This type of risks are almost absent as well, because OJSC “KEGOC” does not threaten the environment when it works.

This given list of risks is not complete. As financial statements of the company show, one of the most significant risks, that accompany OJSC “KEGOC”, is the **risk of non-payments**.

Remarks of KASE listing commission

KEGOC was incurring losses in the last reported year as well as for a total sum of last three years. This could be confirmed by independent auditors of “Big five” list.

Following financial sanctions passed by Almaty municipal court were not fulfilled by KEGOC in 1999:

- Kazakhtelecom brought suit against KEGOC for use of the former’s money (principal debt - KZT54,968,029) and accrued penalty on principal in the amount of KZT9,248,116; the decision was suspended by the Head of the Supreme court on Dec. 12, 1999;
- LLP Astana Securities’s suit against KEGOC in amount of \$498,879; supervision appeal is being currently considered by the Presidium of the Supreme Court.

Reasons for entering the securities into KASE listing

OJSC KEGOC is a natural monopolist in the field of transmission and distribution of electrical power.

The ratio of raised funds by way of bonds’ issue to sales volume is insignificant and equals to 0.04.

There are no funds OJSC KEGOC have previously borrowed (credits).

Independent auditors of KPMG Janat company note that OJSC KEGOC is functioning company and it will be able to pay off all debts at a proper payment date in case of normal operating mode. Despite the losses the company has continued to incur since 1998, its current assets exceed current liabilities by KZT2,956,333 mln. The company’s top officials are still keen to restore the profitability and liquidity as well as to achieve positive results in unsolved legal, regulatory issues and the issue of capital market accessibility (from appendix 17 of the audited financial statements for 1999).

By the decision of the Board of Kazakhstan stock exchange (KASE), dated June 27, 2000, and based on the decision of the Exchange council, dated June 26, 2000, **coupon bonds of open joint stock company “HALYK SAVINGS BANK OF KAZAKHSTAN”** (Almaty) were entered into official list of the Exchange’s securities under category “A”.

The bonds with the national identification number KZA7KAKK6A78 were assigned the trade code **HSBKb**. The quotation accuracy in the trade system of the KASE – four decimal places. The beginning date of the trades is **June 27, 2000**.

Issue, circulation and repayment terms of the first issue bonds of OJSC “Halyk Bank of Kazakhstan”

General information on the bond issue

Issue registration date:	June 20, 2000
Type of the securities:	coupon bonds, indexed by the change in the exchange rate of tenge to U.S. dollar
National identification number:	KZA7KAKK6A78
Face value, USD:	100.00
Issue volume, USD:	16,000,000.00
Number of bonds:	160,000
Coupon:	11.8% APR
Type of the coupon:	semiannual
Coupon payment dates:	twice a year – December 20 and June 20.

The issuer's register is maintained by CJSC "Fondovyi Tsentri" (Almaty), the license #20050002 of the National securities commission of Kazakhstan issued on December 12, 1996.

The issue terms do not contain norms that may discriminate or limit the rights of the owners to transfer (alienate) the securities.

Offering and repayment terms of the bonds

Circulation term of the bonds – **7 years** from the time the circulation begins. Offering and circulation begins on **June 20, 2000**. Offering will last 7 months. Maturity of the bonds – **June 20, 2007**.

The payment for the bonds being offered is made **in tenge at official rate of the National Bank of Kazakhstan**, effective on payment date.

Coupon is paid twice a year (on 182nd and 365th days throughout the circulation term) **in tenge at official rate of the National Bank of Kazakhstan**, effective on payment date. The persons, who bought the bonds not later than 30 days before the maturity date, are entitled to receive a coupon.

The bonds are repaid at face value with the repayment of the last coupon **in tenge at official rate of the National Bank of Kazakhstan**, effective on the maturity date by transferring the money to the accounts of the owners of the bonds, who were registered in the register **30 days before** the maturity date.

If the coupon payment date or maturity date of the bonds happens to be a week-end, then the owner of the bonds will receive the payment on the next business day.

The issuer has the right to recall the bonds by paying all the coupons that have to be paid during the next circulation term in tenge at official rate of the National Bank of Kazakhstan, effective on the date prior to the recall. In case of the recall, the issuer informs the investors and the registrars in mass media 45 days before the recall date. The register will be blocked 30 days before the recall date.

By the recall regulations of the first issue bonds of OSJC "Halyk Bank of Kazakhstan", approved by the resolution #363 of the Board of the bank on June 26, 2000:

- the bonds can be recalled by the issuer **not earlier than June 20, 2002**;
- the yield at which the bonds are recalled is to be determined based on weighted average annual rate calculated 5 days before the recall date on the basis of the deals made at KASE in fourth issue eur notes of Kazakhstan (XS0111078183, May 11, 00 - May 11, 07) plus 1.5 percentage points.

The price of the recall is computed based on internal normative document of the KASE "**Methods for calculation of state securities market prices**", approved by the decision #17/1 of the Board of the Exchange on March 1, 2000, using the yield that is computed by the methods described in previous paragraph.

Fund raising goals

The money, raised by the issue of the bonds, will be used to financing purposes.

Comments on the term "subordinated bond"

The settlement terms with the owners of the bonds are not stipulated by the legislature. Existing Kazakhstani legislation contains the terms of coupon and discounted bonds and does not contain the term of subordinated bond. However, due to the fact that a bond is debt securities, then the settlements with the owners of the bonds should be made prior to the shareholders.

The term subordinated bonds means the bonds with more lower status relative to other debt of the issuer, that is to be repaid only after meeting obligations on other debts.

There is the following description in the resolution of the National Bank of Kazakhstan "Prudential norms regulations" (registered with the Justice department of Kazakhstan on June 23, 97, under the number 325): subordinated debt – is unsecured debt of the bank that is not a deposit, and based on written agreement of the bank, is the last one to be satisfied upon the liquidation (before the distribution of remaining property among the shareholders). Subordinated debt, included in the secondary capital (of the bank), should have initial repayment term of at least 5 years.

Capitalization

For June 28, 2000 total capitalization of the stock market for PIS of Kazakhstan equaled **\$1,556.2 mln** or KZT221.9 bln at tenge to dollar rate of the Exchange, effective on that date. \$18.7 mln increase in capitalization in terms of dollars relative to the last day of previous period was mainly caused by a sharp decrease in the value of OJSC "Aktobemunaigas" preferred shares.

Market-makers

By the decision of the Board of Kazakhstan stock exchange (KASE), dated June 26, 00, and based on the decision of the Exchange council of KASE, dated **June 23, 00**:

- the member of the Exchange – LLP “TuranAlem Securities” (Almaty) – was given a status of a specialist of discounted inscribed bonds of the Republican state enterprise “Kazakhstan temir joly”. Minimum volume of mandatory quotations for LLP “TuranAlem Securities” on these securities is set at **500 bonds**. It is the size of the block that should be available to make a deal at any time during the trading day at the KASE. The specialist will start putting out TMJLb quotations from the beginning of the trades. The date is **to be announced additionally**.
- the member of the Exchange – OJSC “Kazkommerts Securities” (Almaty) – was given a status of a market-maker of discounted bonds of OJSC “KEGOC”. Minimum volume of mandatory quotations for OJSC “Kazkommerts Securities” on these securities is set at **30 bonds**. It is the size of the block that should be available to make a deal at any time during the trading day at the KASE. The market-maker will start putting out KEGCb quotations at KASE **from August 1, 2000**.

By the decision of the Board of Kazakhstan stock exchange (KASE), dated June 26, 00, and based on the decision of the Exchange council of KASE, dated **June 26, 00**, the member of the Exchange – CJSC “Fondovyi Servis” (Almaty) – was given a status of a market-maker of coupon bonds of OJSC “Halyk Bank of Kazakhstan”. Minimum volume of mandatory quotations for CJSC “Fondovyi Servis” on these securities is set at **30 bonds**. It is the size of the block that should be available to make a deal at any time during the trading day at the KASE. The market-maker started putting out HSBKb quotations at KASE **from June 27, 2000**.

From July 3, 2000 by the decision of the Board of KASE, dated June 27, 2000:

- CJSC “Gosudarstvennyi nakopitelnyi pensionnyi fond”** (State accumulative pension fund - SAPF) was given a status of a market-maker of fourth issue euronotes of Kazakhstan (XS0111078183, May 11, 00 - May 11, 07) in the sector of small lots.
- OJSC “Demir Kazakhstan Bank”** (Almaty) was given a status of a market-maker of third issue euronotes of Kazakhstan (XS0102764031, Oct.18, 99 - Oct.18, 04) in the sector of small lots.

The decision on creating this sector had been made by the Exchange council of KASE on May 19, 2000 **to give retail investors to work with state securities (SS) in the trade system of the Exchange**.

SECTOR OF STATE SECURITIES (SS)

In **purchase and sale sector** for SS of KASE total volume of **51 deals** reached **KZT2,891.5 mln**. In previous period the volume reached KZT4,428.2 mln with 66 deals made.

Parameters of stock exchange transactions in SS from June 22 - 28

(in parentheses are comparable figures of the previous period)

Days till maturity	Yield to maturity for a buyer, % APR.					Volume, mln tenge discounted	Number of deals
	min	max	last deal	weighted average			
Discounted SS: MEKKAM-3, 6, 12, notes					13.5% (11.4%) of purchase and sale sector's turnover		
less than 8	7.29	9.11	8.00	8.61 (-)	39.0	6	
15 - 28	9.53	9.53	9.53	9.53 (-)	29.8	1	
29 - 36	12.07	12.38	12.07	12.08 (10.41)	50.5	3	
43 - 56	10.99	10.99	10.99	10.99 (11.49)	20.0	1	
57 - 63	13.66	13.66	13.66	13.66 (-)	199.5	1	
92 - 181	13.06	13.06	13.06	13.06 (13.10)	22.7	2	
182 - 364	14.12	14.12	14.12	14.12 (-)	30.0	1	
Total					391.4 (502.8)	15 (32)	
Discounted indexed SS: MEKAVM-6, 9, 12					51.3% (49.6%) of purchase and sale sector's turnover		
29 - 36	5.61	5.75	5.61	5.69 (-)	1,331.2	5	
92 - 181	8.52	8.52	8.52	8.52 (9.02)	111.7	1	
182 - 364	9.00	9.00	9.00	9.00 (9.53)	39.4	2	
Total					1,482.3 (2,194.9)	8 (14)	
Coupon SS: MEOKAM					2.8% (49.6%) of purchase and sale sector's turnover		
707 - 714	17.00	17.01	17.01	17.01 (-)	80.2	4	
Total					80.2 (-)	4 (-)	
Euronotes of Kazakhstan, USD					32.4% (39.1%) of purchase and sale sector's turnover		
*814 - 820	9.68	10.12	9.69	9.70 (9.71)	318.7	8	
**1,551 - 1,556	10.56	10.59	10.59	10.58 (10.55)	536.1	14	
***2,474 - 2,479	10.54	10.67	10.54	10.55 (10.72)	82.8	2	
Total					937.5 (1,730.5)	24 (20)	
SUBTOTAL					2 891.5 (4 428.2) 51 (66)		

Notes: for euronotes (* - second issue, ** - third issue, *** - fourth issue) volumes of the deals are calculated at weighted average USD/KZT rate of the Exchange. Volumes for indexed domestic SS are calculated considering official rate of USD/KZT.

In SS repo sector **103 deals for a total of KZT4,065.3 mln was made during the period**. Of this number 55 deals (for KZT1,744.7 mln) were repo opening deals and 48 (KZT2,320.5 mln) were repo closing deals. Last week total turnover of this sector of the market was at KZT5,935.4 mln. No principal changes took place in this sector during the week.

Parameters of repo opening deals in SS at KASE from June 22 - 28

(in parentheses – comparable figures for previous period)

Opening date	Term of repo, days	Currency	Amount raised, mln KZT	WA yield, % APR	Number of deals
June 22.00	4	KZT	83.3	5.50	4
June 22.00	5	KZT	29.6	7.00	2
June 22.00	7	KZT	80.0	8.00	2
June 22.00	14	KZT	26.0	10.50	1
June 23.00	3	KZT	103.5	2.46	3
June 23.00	4	KZT	45.4	4.75	1
June 23.00	6	KZT	320.0	7.00	4
June 26.00	1	KZT	63.0	7.00	2
June 26.00	2	KZT	184.5	9.00	4
June 26.00	3	KZT	35.0	6.00	1
June 26.00	4	KZT	58.2	10.00	6
June 27.00	1	KZT	116.6	10.48	6
June 27.00	3	KZT	24.0	9.51	1
June 28.00	1	KZT	222.6	11.80	7
June 28.00	2	KZT	281.4	13.37	7
June 28.00	7	KZT	41.5	11.00	2
TOTAL			1,714.7 (2,257.3)		53 (43)

After closing of the trades on June 28 total amount of opened repo equaled **KZT1,641.3 mln**. Current weighted average rates as of June 28 (% APR) equaled: for **1 day** (KZT222.6 mln) – **11.80**; for **2 days** (KZT281.4 mln) – **13.37**; for **3 days** (KZT59.0 mln) – **7.43**; for **4 days** (KZT58.2 mln) – **10.00**; for **6 days** (KZT320.0 mln) – **7.00**; for **7 days** (KZT121.5 mln) – **9.03**; for **9 days** (KZT36.7 mln) – **8.00**; for **14 days** (KZT126.0 mln) – **7.72**; for **29 days** (KZT25.0 mln) – **12.00**; for **30 days** (KZT26.2 mln) – **10.99**; for **42 days** (KZT364.7 mln) – **11.73**.

Total of 154 deals amounting to **KZT6,956.7 mln** were made **on trade floors of KASE** during last period (purchase and sale and repo sector). Last week volume of 156 deals was KZT10,363.4 mln.

In this week **proportion of the stock market turnover** in total volume of deals on Kazakhstani secondary market for SS for comparable operations (including euronotes and repo operations) equaled 56.7%, for last week it was 71.3%.

Information of the companies

By the decision of the Board of Kazakhstan stock exchange (KASE), dated June 26, 2000, the trades in common inscribed (trade code - BORL) and preferred inscribed (trade code - BORLp) shares of **the head joint stock company of open type "BORLY"** (Karagandy, official list of securities, category "B") were stopped from June 26, 2000.

The trades were blocked based on the order #7-15/1-1044 of Justice department of Karagandy region, dated April 12, 2000, to remove HJSC "BORLY" from the state register due to its transfer as a result of the merger with OJSC "Corporation Kazakhmys". Soon the matter on removal of HJSC "BORLY" shares from the trade lists of KASE will be considered.

According to listing requirements, **OJSC "Bank CenterCredit"** (Almaty, official list of securities, category "A") provided KASE with the minutes of shareholders annual general meeting held on April 28, 2000, the auditing report of "Ernst & Young" (Almaty, Kazakhstan), made on 1999 consolidated financial statements of the bank, the financial statements for the I quarter of 2000.

Based on the agenda of the meeting, the shareholders of Bank CentreCredit OJSC decided to:

- approve dividend fund equal to KZT108,080 th. or 56% of net income based on KZT20 per share; declare May 6, 2000 as the date of actual dividend payment;
- cancelled the authority of the previous and elected new Board of Directors consisting of 7 members: Baiseitov B.E., Li B.S., Muldagaliyev K.D., Nasenov A.B., Sarkytbayev M.K., Tereshenko S.A., Sharipov E.S.;
- cancelled the authority of the previous member-list of Revision commission and approved new list of the commission consisting of 3 members: Elesheva S.M., - chairman, Mambetova A.Z. and Selukova V.U. - members of commission;
- approved the auditors of the bank on year 2000: for auditing of annual financial statements - Ernst & Young Kazakhstan, for auditing of the report on results of issue and offering of bonds - NAC Kazakhstanaudit;

Besides, the shareholders accepted the decision to execute borrowing through bonds issue under the guaranty of European Bank for Reconstruction and Development (EBRD) with the purpose to attract funds denominated in tenge for financing of small and medium scale business under the EBRD program. They also approved main parameters of planned issue: volume - KZT250 mln, face value - KZT5,000, total amount of bonds - 50,000, maturity - 1 year, type of bonds - coupon, interest rate - 20% APR, coupon payments - quarterly.

The Board's President, Li B.S. made a speech on results of the banks activity in 1999. According to his report, Head office and branch network restructuring was conducted in 1999. Due to low profitability, following five branch offices were closed (names of the cities): Abay, Baykonyr, Temirtau, Shuchinsk and Ekibastuz. At present, bank has 10 branch offices and 24 settlement cash departments in 29 cities of Kazakhstan.

On February 15, 2000 the second emission of the bank's shares on the sum of KZT1 bln was registered. The sum total of two emissions is KZT2,063 bln. The state share in the bank totals KZT243 mln. One of the variant of borrowing, which is currently being considered, is the sale of the state block to the EBRD. This will improve a status of the bank in financial markets.

For the reported period, the bank's assets grew by 35% to the previous year, and made up KZT13.8 bln, shareholders equity grew by 17% and totaled KZT1.4 bln, net profit (without consolidation of branch companies) - KZT193.8 mln.

The report also states that due to active bank policy, deposit base was steadily growing. At the end of 1999, the deposits totaled KZT11,820 mln, that is 56% higher than in 1998. In the total amount of deposits attracted 22% or KZT2,645 mln are population holdings which grew by KZT1,263 mln.

State securities portfolio increased by 2.6 times and equaled to KZT2,045 mln. Loan portfolio grew by 35% and totaled KZT8.8 bln. Loan-deposit ratio shifted to 86% from 103% in 1998.

In 1999, the bank kept its traditions of small-middle scale business crediting. Total volume of these funds was KZT1.9 bln of credit resources. More than 500 projects were financed under the credit line of EBRD. They mostly include projects in services, and small-middle scale manufacturing.

In June Bank CentreCredit OJSC received Thomson Bank Watch rating: on long-term obligations - "B", short-term - "LC-3". In November 1999 the ratings were confirmed.

The most part of the report states the task planned to implement in 2000:

- increase in Authorized paid capital to KZT2 bln;
- issue of VISA card with the bank's logotype;
- confirmation from Thomson Bank Watch on ratings and receiving of Standard & Poor's rating assessment;
- issue of bonds under the guaranty of EBRD;
- completion of negotiations with EBRD on credit line on the sum of \$5 mln for the development of trade financing;
- putting into operation a new office in Astana.

Following are the data of the bank activities as of December 31, 1998 and 1999, prepared by an independent auditor on April 10, 2000 (in th. KZT):

Indicator	1998	1999
Authorized capital (less Treasury stock)	1,003,313	1,062,531
Outstanding shares	5,016,565	5,312,655
Shareholders' equity	1,247,853	1,379,766
Total assets	10,195,055	13,765,501
Total liquid assets	1,394,021	4,032,564
Loans to the clients (net)	6,166,812	8,260,070
Liabilities to the banks	923,878	1,151,612
Liabilities to the clients	7,205,632	10,253,117
Operating income	1,994,590	3,334,301
Total expenses	1,779,435	3,141,736
Net income	215,155	192,565
Calculated on the basis of auditing report:		
Return on equity (ROE), %	17.24	13.96
Return on assets (ROA), %	2.11	1.40
Earnings per share (EPS), KZT	42.89	36.25
Price earnings ratio (P/E)	-	5.39
Book value of a share, KZT	248.75	259.71

The auditing of "Ernst & Young" was conducted in accordance with the Kazakhstani and International accounting standards with respect to those parts that do not contradict with the Kazakhstani standards.

Consolidated financial statements of OJSC "Bank CenterCredit" includes the statements of its subsidiary company LLP "KIB ASSET MANAGEMENT Ltd." (KIBAM), where the bank has 50% stake. Financial statements of KIBAM are proportionally consolidated with financial statements of the bank. As of December 31, 1999, based on the data of the auditor, KIBAM assets were approximately KZT37 mln, 1999 loss equaled KZT3.0 mln.

Based on auditing report, loan portfolio increased by 33.9% relative to 1998, reserves on possible losses for granted loans were increased by 276.9%. Loans granted to the clients in 1999 were distributed among the branches of the economy as follows: retail and wholesale trade – 18% of total volume, mortgage financing – 17%, industrial production – 15%, food industry – 9%, building rental – 8%, construction – 3%, agriculture – 2%, others – 28%.

In opinion of “Ernst & Young”, consolidated financial statements of OJSC “Bank CenterCredit” give reliable representation of the bank’s consolidated assets and liabilities in all aspects as of December 31, 1998 and 1999, of its income statements and cash flow statements as of reporting periods, as well as changes in shareholders’ equity during the period through December 31, 1999 based on Accounting of commercial banks of Kazakhstan, approved by the National Bank. auditing report is unconditional.

Following are the results of the issuer in the I quarter of 2000 (in th. KZT):

Ratio	As of Apr. 1 '99	As of Apr. 1 '00	Change, %
Authorized capital (declared)	1,063,339	2,063,339	+94.0
Authorized capital (paid)	1,029,352	1,080,674	+5.0
Shareholders' equity	1,247,408	1,555,986	+24.7
Total assets	10,111,125	15,310,830	+51.4
Liquid assets	1,912,882	4,786,132	+150.2
Loans and deposits	8,353,592	13,099,461	+56.8
Loans granted	6,534,942	8,869,019	+35.7
Income from operating activities	607,999	1,170,022	+92.4
General expenses	591,849	1,078,457	+82.2
Net profit of the period	16,150	91,565	+467.0
Book value of one share, KZT	248.66	287.97	+15.8

Compared to similar period of 1999 growth took place in:

- shareholders’ equity – by KZT308.58 mln, or 24.7% (composition: increase in authorized paid capital due to the sale of previously redeemed shares on the sum of KZT77.36 mln, accumulations in funds and reserves - KZT16.65 mln, total result of undistributed profit - KZT214.57 mln.)
- assets – by KZT5.20 bln, or 51.4%;
- liabilities – by KZT4.89 bln, or 55.2%;
- operating profit – by KZT562.02 mln, or 92.4%;
- expenses – by KZT486.61 mln, or 82.2%.

As a result, net profit received by OJSC “Bank CentreCredit” in the I quarter of 2000 equaled to KZT91.56 mln, that is 2.4 times more than figure for the same period of last year.

According to listing requirements, **OJSC “VALUT-TRANZIT BANK”** (Almaty, official list of securities, category “B”) provided KASE with the minutes of shareholders annual general meeting held on April 24, 2000.

Based on the agenda of the meeting, the shareholders of OJSC “Valut-Transit Bank” decided to:

- approve the report of Board of Directors on results of OJSC “Valut-Transit Bank” activity in 1999;
- approve the annual financial statements and the conclusion of the bank’s Revision commission for 1999;
- cancel dividend payments for ordinary shares; undistributed profit on the sum of KZT29.0 direct to reserve capital replenishment.

The decision of the Board of Directors dated on Dec. 28, 1999 declared the dividends on preference shares on the sum of KZT20,695,236 (16.65 per share).

Ordinary and preference shares of OJSC “Valut-Transit Bank” were included in official list of securities of KASE on May 22, 2000. Since the first trades (June 01, 2000), two deals were made on preference shares involving 48,300 shares on the sum of \$91.2 th. Deals were made at \$2.10-1.87 price interval per share at face value of KZT200.00.

New KASE members

By the decision of the Board of Kazakhstan Stock Exchange (KASE) dated June 23, 2000 **OJSC “CASPEAN BANK”** (Almaty) was admitted to be a member of the Exchange in category “P” (with the right to trade private issue securities included in the official trade list of KASE).

The decision was based on the application of OJSC “CASPEAN BANK” and the government license on execution of broker and dealers activity in the securities market submitted to KASE. The license also gave the right to keep accounts of the clients as a nominal holder and was issued by National Securities Commission #0401100185 dated December 30, 2000.

KASE news

From July 3, 2000 new trade sector will function at Kazakhstan stock exchange (KASE) – “Sector of small lots” (SSL). It was informed earlier, that the decision on creating this sector had been made by the Exchange council of KASE on May 19, 2000 **to give retail investors to work with state securities (SS)** in the trade system of the Exchange.

Unlike regular purchase and sale sector of SS, the SSL will allow the investors to buy or sell state bonds in multiples of **\$100 of par value of the securities**. It will let smaller investors – legal entities and private persons – to participate in the trades.

Setting up the SSL is a part of KASE program to attract the population of the country to the trades of the Exchange. KASE is planning to use **Internet technologies** to conduct such trades. Particularly, at KASE now the deals can be made in real time mode through the Internet using the **NetBank system** (<http://www.netbank.kz>) of OJSC “TexaKaBank”. Due to real time Internet transmission of the Exchange trades (<http://www.kase.kz/Trades>), the client of OJSC “TexaKaBank” is able to observe current quotations and make orders to the bank, which in this case acts as a broker, to sell or buy the securities through the software of “NetBank” system. It is assumed that the verification of personal money and securities accounts will be conducted automatically. This will dramatically shorten the time from the moment of ordering till the moment of deal execution. It gives an opportunity to conduct settlements at “T+0” term (at the day of deal execution).

With the purpose of organizing such trade schemes KASE is conducting talks with other professional participants of the market - brokerage and dealing companies and the banks of the second tier.

When selecting the most appropriate securities for the retail investors to work with in the SSL KASE chose **euronotes of Kazakhstan**. However, NetBank system can work with other securities that circulate at KASE in regular trade sectors.

Yet, taxation of the deals in corporate bonds is more discriminatory compared to that of the deals in SS, and euronotes have the most attractive investment value in comparison to other securities. For instance, euronotes are denominated in the U.S. dollars that allows the investors to eliminate currency risk without having a license on foreign currency operations. Euronotes have been issued according to English system of law. Besides, these securities are the most liquid SS at KASE. Finally, income from euronotes operations are exempted from taxation.

However, these new innovations are not enough for the retail investor to work successfully in the SSL. It is necessary that a certain amount of securities are offered for sell or to buy in the SSL. And at market prices.

To implement this, KASE had talks with professional participants of the market, and as a result of these talks **two market-makers of the Kazakhstani euronotes are to appear in the Sector of small lots from July 3, 2000: CJSC “Gosudarstvennyi nakopitelnyi pensionnyi fond”** (State accumulative pension fund - SAPF) and **OJSC “Demir Kazakhstan Bank”** (see above).

The activities of the market-makers in the SSL are regulated by internal document of KASE “The obligations and the rights of CJSC “Kazakhstan stock exchange” members of category “K” who possess the status of a market-maker of international bonds of Kazakhstan in the Sector of small lots”. Based on the document, in the Sector of small lots the market-maker is obliged to maintain at least one solid bid and one solid offer quotations (mandatory quotations) of the euronotes to be admitted to the trades in the Sector of small lots in the trade system of KASE during the trading day. The spreads between mandatory quotations should be:

- **not more than 30 basis points** (one basis point – 0.01% of clean price of the bond, expressed in percents) provided that minimum amount of mandatory bid and offer quotations for each quotation is **at least 25,000 U.S. dollars** (or any other currency in which the issue of sovereign euronotes is denominated) at par value;
- **not more than 50 basis points** provided that minimum amount of mandatory bid and offer quotations for each quotation is **at least 100,000 U.S. dollars** (or any other currency in which the issue of sovereign euronotes is denominated) at par value;
- **not more than 100 basis points** provided that minimum amount of mandatory bid and offer quotations for each quotation is **at least 300,000 U.S. dollars** (or any other currency in which the issue of sovereign euronotes is denominated).

A significant remark is that the market-maker should maintain the spread not exceeding the spread between the quotations put out by him on these securities outside of the SSL.

Moreover, if mandatory quotation was removed or satisfied the market-maker of the euronotes in the SSL should put out a new quotation within one minute time frame.

In the SSL the market-maker has the rights to:

- change the prices of previously set mandatory quotations provided the spread requirements state above are met;
- deny to put out mandatory quotations if the volume of purchased securities less sold ones, or the volume of sold securities less purchased ones during the trading day exceeds the amount equal to **one million U.S. dollars** calculated at par value (sold and purchased securities are calculated based on the deals made by the market-maker in the SSL);
- if an extraordinary situation is settled on the market, to declare a time-out not exceeding one hour, and during that break to maintain the quotations of the euronotes provided the broker of the Exchange is aware of the time-out (only one time-out is allowed during the trading day);

- as a market-maker, not to pay a commission on the deals in euronotes made in the Sector of small lots.

Only the market-makers of this particular sector can put out solid quotations in the Sector of small lots of the trade system of KASE. The members of the Exchange, who are not the market-makers in the Sector of small lots, can make deals only at the quotations put out by the market-makers.

The suffix “_ret” will be added to the trade code of the securities being traded in the Sector of small lots. (For example, “ENU07.05_ret” – fourth issue euronotes of Kazakhstan with the maturity on May 11, 2007 in the Sector of small lots).

The Board of KASE is entitled to determine those securities that will be admitted to the trades in the Sector of small lots. So far, these are only euronotes of Kazakhstan of the third and fourth issues.

By the decision of the meeting of KASE members of categories “K”, “P”, “H” held on June 27, 2000 (minutes #3) **a commission** of 0.005% of the deal amount **is to be collected** on the deals in SS that are traded in the SSL from both the buyer and the seller. Only SS market-makers that work in the SSL are free from paying commissions.

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