

WEEK OF STOCK MARKET OF KAZAKHSTAN December 7 - 13

1 US dollar = **144.25** tenge at official rate for the end of the period
1 US dollar = **144.70** 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 December 7 - 13. In parentheses – figures of previous period. Instruments are given in ascending order, based on their attractiveness.

Investment attractiveness of stock exchange instruments from December 7 through 13

Financial instrument	Currency	Yield, % APR	Volume of deals, mln KZT	Volume of deals, mln USD
RENTb	USD	15.03 (15.04)	0 (0)	0 (0)
KOMBb	USD	14.68 (11.78)	0 (0)	0 (0)
ALKSb	USD	14.35 (14.45)	0 (0)	0 (0)
VITAb2	USD	14.25 (-)	0 (0)	0 (0)
ATFBb	USD	10.95 (11.39)	0 (5.0)	0 (34.5)
KZOLb	USD	10.56 (10.52)	0 (1.4)	0 (9.8)
HSBKb	USD	10.43 (10.39)	0 (0)	0 (0)
KZTOb	USD	10.38 (10.38)	0 (0)	0 (0)
TMJLb	USD	10.08 (10.10)	0 (0)	0 (0)
Securities, repo	USD	*10.00 (15.97)	50.0 (31.7)	345.9 (219.5)
Euronotes-4	USD	9.43 (9.50)	589.3 (852.2)	4,074.8 (5,904.1)
KKGBb	USD	8.92 (9.04)	0 (0)	0 (0)
Euronotes-2	USD	8.85 (8.90)	97.9 (134.1)	677.2 (929.1)
Euronotes-3	USD	8.85 (8.99)	642.3 (2,288.2)	4,441.2 (15,852.5)
TEBNb	USD	8.09 (8.17)	0 (0)	0 (0)
MEKKAM, notes	KZT	*6.47 (8.59)	1,414.7 (1,207.0)	9,781.7 (8,362.3)
GB repo	KZT	*4.13 (3.85)	3,308.8 (3,665.5)	22,877.6 (25,394.7)

Notes: yields of all corporate bonds are calculated as average of bid quotations.

Tenge devaluation rate is estimated at weighted average rate of the main session of KASE in the week by a trend of **10.18% APR**.

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.

INDICATORS OF INTERBANK DEPOSIT MARKET

Following is the table of mean values of interbank offering rates (KIBOR), calculated by the quotations put out by the banks in the trade system of KASE. The trend reflects the change of the indicator relative to the last day of previous period. Minimum quotation volume is KZT15 mln. The quotations are indicative meaning that participants do not have to conclude deals on given terms.

Indicators of Kazakhstan interbank deposit market as of December 13, 4:00 PM ALT and changes during the week

Term	Currency	Rate	Trend
1 week	KZT	6.00	-1.00
2 weeks	KZT	6.92	-0.61
1 month	KZT	7.83	-0.50
2 months	KZT	9.00	-0.08
3 months	KZT	9.92	+0.34

During the period the offering rates were behaving traditionally. General declining trend of the short money rates remained, though the tenge devaluation rate was quite high. It can be said that the offering rates were stable only for 2 and 3 months. Despite all the efforts of the National Bank, the cost of more shorter money react to the market cleanup only temporarily, by increasing on some days. It is followed by an inevitable rollback to more lower levels. Therefore, the measures taken by the National Bank to shrink the monetary base, still cannot be considered effective for sure. It is important that offering rates are lower than the devaluation of the tenge, which makes the traders to use attracted money to speculate on the currency market.

THE SECURITIES SECTOR (SS)

Secondary market

During observed period 8 deals amounting to **\$565.2 th.** were made in **purchase and sale sector** of the securities on trade floors of the KASE. Relative to previous period (\$12,140.2 th., 14 deals) weekly turnover of the sector decreased 21.5 times. After a big volumes of deals made by the brokers in late November, the market has returned to its usual turnover.

In terms of deal volumes **common shares of Bank TuranAlem OJSC** (KZ1C34920412, official list of the KASE securities, category "A", BTAS) were the leaders, with their proportion in total turnover of securities reaching 60.3%. Almost all turnover of these securities (\$340.6 th.) took place during the first day of the period, on December 7. Last week the market leaders were common shares of Halyk Bank of Kazakhstan OJSC (Almaty, official list of securities, category "A", HSBK).

During the week the price of VTBN grew by 6.7% relative to the last deals of the period, the value of KZTKp fell by 14.9%, that of VTBNp - by 9.2%. BTAS did not change.

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

Results of the trades in shares from December 7 - 13

USD per share, unless otherwise specified						
Issuer	Securities	Close	WA price	Volume	Best bid	Best offer
Almaty Kus OJSC	ALKS			0	0.154	0.308
Bank TuranAlem OJSC	BTAS	70.99	70.94	4 801	70.99	70.86
Bank CenterCredit OJSC	CCBN	1.5282		0	1.3038	1.3822
Halyk Bank of Kazakhstan OJSC	HSBK	0.8324		0	0.9000	1.8000
KAZKOMMERTSBANK OJSC	KKGB	0.7000		0	0.2500	0.5000
Kazakhtelecom	KZTK	14.50		0	13.50	16.50
Kazakhtelecom	KZTKp	*10.00	10.00	83	10.00	10.00
Rakhat JSC	RAHT			0	*0.45	
SAUR OJSC	SAYR			0		*0.3500
SHNOS OJSC	SYRG	1.63		0	1.30	
Temirbank OJSC	TEBN	*1.095		0	0.692	3.620
UKTMK OJSC	UTMK	*50.00		0	5.00	145.00
UKTMK OJSC	UTMKp	28.00		0	5.00	49.00
VALUT-TRANZIT BANK OJSC	VTBN	2.5568	2.5568	58 000	2.5568	2.5568
VALUT-TRANZIT BANK OJSC	VTBNp	2.0131	2.0131	37 500	2.0131	2.0131

Results of the trades in bonds from December 7 - 13

yield for the buyer in % APR till maturity, unless otherwise specified							
Issuer	Code	Currency	Last	WA	Volume, th. USD	Best bid	Best offer
Almaty Kus OJSC	ALKSb	USD	15.03		0.00	17.31	14.40
AMB CJSC	ATFBb	USD	11.38		0.00	11.38	10.95
Halyk Bank of Kazakhstan OJSC	HSBKb	USD	12.00		0.00	13.40	10.45
KAZKOMMERTSBANK OJSC	KKGBb	USD	12.76		0.00	13.42	9.03
Komirbank OJSC	KOMBb	USD	11.00		0.00	17.87	15.20
NOC Kazakhoil CJSC	KZOLb	USD	10.50		0.00	10.90	10.67
NOTC KazTransOil CJSC	KZTOb	USD	10.46		0.00	10.80	10.46
RENATA LLP	RENTb	USD			0.00		*15.04
Temirbank OJSC	TEBNb	USD	11.28		0.00	12.26	8.13
Kazakhstan Temir Joly NSE	TMJLb	USD	10.82		0.00	10.50	10.10
VITA LLP	VITAb2	USD			0.00	15.00	14.50

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.

The KASE index that reflects the changes in the bids on the shares from the official list of the Exchange's securities of the category "A", including the market capitalization of their issuers, **grew by 0.0273** during the week, at **106.2918** at December 13 closing.

In the securities repo sector 5 deals were made during the week for a total of **\$386.0 th.:**

- 2 deals on opening 7 day repo on common shares of Bank TuranAlem OJSC for \$345,863.28 at **10.00% APR** (declared rate) expressed in dollars;
- 1 deal on closing 10 day repo on preferred shares of Kazakhtelecom for \$11,829.60 (amount attracted - \$11,793.60). Return of the transaction calculated in U.S. dollars equaled 11.11% APR, in tenge (at the rate of the Exchange) - **22.51% APR**;
- 1 deal on closing 29 day repo on common shares of TEMIRBANK OJSC for \$14,126.40 (amount attracted - \$13,999.50). Return of the transaction calculated in U.S. dollars equaled 11.38% APR, in tenge (at the rate of the Exchange) - **15.15% APR**;

- 1 deal on closing 28 day repo on common shares of Voskhod OJSC for \$14,200.68 (amount attracted - \$14,040.00). Return of the transaction calculated in U.S. dollars equaled 14.88% APR, in tenge (at the rate of the Exchange) - **19.62% APR**;

At the end of the period **seven** indexed securities repos were opened at the trade floor of the Exchange for a total of **\$6,630.1 th**. Common shares of following companies were used as the object of repo deals: Bank TuranAlem OJSC, Bank CenterCredit OJSC. The terms vary from 7 to 215 days, and the rates in USD from 2.98 to 15.12% APR. It should be noted that it not advisable to use these rates as market indicators, since in some cases the rates are obviously low because some deal counteragents are affiliated.

Capitalization

On December 13, 2000 the **capitalization of the companies**, whose shares are traded on the securities exchange market of Kazakhstan, equaled **\$1,351.5 mln** or KZT195.6 bln at tenge to dollar rate of the Exchange, effective on that date. During the week this number increased **by \$3.0 mln** in terms of dollars was caused mainly by a decline in the values of Kazakhtelecom preferred shares and VALUT-TRANZIT BANK preferred shares (see above).

The capitalization of corporate bonds market of the Exchange by their best bids, that are regularly put out by the market-makers of these securities in the trade system of the Exchange, was fixed at **\$131.6 mln** as of December 13, or KZT19,035.97 mln. This indicator **grew by \$1.9 mln**. In nominal value (total face value of the bonds that were entered into trade lists of KASE) is estimated at **\$154.3 mln** as of this check date. or **KZT22,324.0 mln**.

SECTOR OF GOVERNMENT BONDS (GB)

In **GB purchase and sale sector** of KASE total volume of 83 deals equaled **KZT2,934.6 mln**. In previous week the turnover reached KZT5,094.2 mln with 88 deals made. As it can be seen from presented table, quick shrinkage in the turnover was caused by a frequency of the euronotes of Kazakhstan trades. In the opinions of IRBIS analysts, it was due to the absence of a compromise between the sellers and the buyers under a contradictory forecasts regarding further devaluation rate of the tenge. The rates offered today can not satisfy the buyers, since there are supporters of the devaluation acceleration among the buyers. The sellers can not agree on the bid terms.

Parameters of stock exchange transactions in SS from December 7 - 13

(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 GB: MEKKAM-3, 6, 12, notes				48.2% (23.7%) of purchase and sale sector's turnover		
less than 8	4.01	6.77	6.77	4.45 (5.73)	481.0	8
8 - 14	5.47	6.90	6.08	5.73 (7.00)	387.8	13
15 - 28	6.08	7.20	7.20	7.18 (6.51)	254.7	3
64 - 91	7.25	7.85	7.85	7.45 (7.85)	105.1	10
182 - 364	10.59	11.21	10.66	10.68 (9.85)	186.1	3
Total					1,414.7 (1,207.0)	37 (32)
Coupon GS: MEOKAM-36				6.5% (5.2%) of purchase and sale sector's turnover		
1,060 - 1,091	17.88	18.04	17.88	17.97 (18.01)	190.2	11
Total					190.2 (266.8)	11 (14)
Euronotes of Kazakhstan, USD				45.3% (64.3%) of purchase and sale sector's turnover		
*649 - 655	8.76	8.92	8.76	8.85 (8.90)	97.9	7
**1,385 - 1,391	8.63	8.99	8.68	8.85 (8.99)	642.3	19
***2,308 - 2,314	9.38	9.46	9.38	9.43 (9.50)	589.3	9
Total					1,329.6 (3,274.4)	35 (39)
SUBTOTAL					2,934.6 (5,094.2)	83 (88)

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 GS are calculated considering official rate of USD/KZT.

In **GB repo sector 71 deals for a total of KZT7,155.8 mln** were made during the period. Of this number 41 deals (for KZT3,308.8 mln) were repo opening deals and 30 (KZT3,847.0 mln) were repo closing deals. Last week total turnover of this sector of the market was at KZT6,670.6 mln. Increase in the volumes of repo deals, in the opinions of IRBIS analysts, was not because of low liquidity of some of the participants, but due to the fact that current rates are lower the tenge devaluation speed. It creates favorable prerequisites for attracting the funds with their further use on currency market.

After closing of the trades on December 13 total amount of opened repo equaled **KZT2,465.4 mln**. Current weighted average rates as of December 13 (% APR) equaled: for 1 day - 2.95; for 3 days - 4.20; for 4 days - 3.50; for 7 days - 6.50; for 8 days - 6.50; for 15 days - 5.00; for 20 days - 9.00; for 21 days - 9.00; for 24 days - 8.00; for 25 days - 10.50; for 28 days - 9.50; for 29 days - 9.00; for 92 days - 9.86. Total decrease in the cost of the shortest money in repo sector of the KASE is continuing.

Total of 154 deals amounting to **KZT10,090.4 mln** were made in **GB on trade floors of KASE** during last period (purchase and sale and repo sector). Last week volume of 168 deals was KZT11,764.4 mln.

In this week **proportion of the stock market turnover** in total volume of deals on Kazakhstani secondary market for GB for comparable operations (including euronotes and repo operations) equaled **78.1%**, for last week it was 77.2%.

INFORMATION ON LISTED COMPANIES

Bank TuranAlem OJSC (Almaty), in accordance with the listing requirements, provided the Kazakhstan Stock Exchange (KASE) with its financial statements for 9 months of 2000: balance sheet and income statement. Based on the date of the issuer, following are his results in 9 months of 2000

Comparable figures of Bank TuranAlem OJSC financial and economic activities in 9 months of 2000

(in th. KZT, unless otherwise specified)

Indicator	As of Oct.1,99	As of Oct.1,00	Change, %
Authorized capital (announced)	8,870,230	12,870,230	+45.1
Authorized capital (paid)	8,870,230	11,245,500	+26.8
Shareholders' equity	5,115,976	8,453,766	+65.2
Total assets	39,156,216	75,554,576	+93.0
Liquid assets	11,684,477	21,797,305	+86.5
Loans and deposits	32,310,406	58,922,023	+82.4
Loans granted (net)	22,076,668	46,190,278	+109.2
Operating income	4,982,252	10,314,073	+107.0
General expenses	4,229,807	8,976,942	+112.2
Net income	752,445	1,337,131	+77.7
Book value of a share, KZT	5,767.58	7,517.47	+30.3

Compared to similar period of 1999 growth took place in: **shareholders' equity** of the bank - by KZT3.3 bln, or 65.2% (as a result of the fifth issue offering of the shares - by KZT2.4 bln, additional capital - by KZT26.9 mln, final amount of undistributed income - by KZT727.4 mln, reserves for re-evaluation of fixed assets - by KZT208.2 mln); **assets** - by KZT36.4 bln, or 93.0% (loan portfolio grew by KZT24.1 bln); **liabilities** - by KZT33.1 bln, or 97.1% (deposits growth KZT19.4 bln); **operating income** - by KZT5.3 bln, or 107.0% as a result of increase in client base (increase in incomes from lending activities and commission collections); **expenses** - by KZT4.7 bln, or 112.2% as a result of increase in allocations to the reserves (provisions), deposit payments and other expenses.

Net income of Bank TuranAlem OJSC received in 9 months of the year 2000 equaled KZT1.4 bln, that is KZT584.4 mln or 77.7% more than for corresponding period of 1999.

Dynamics of some Bank TuranAlem OJSC indicators during the year 2000 on a quarterly and non-accruing sum basis

(in mln KZT)

Indicator	I-2000	II-2000	Change, %	III-2000	Change, %
Change in deposits	2,896.9	5,986.0	+106.6	9,862.4	+64.8
Operating income	3,527.3	3,524.8	-0.1	3,667.6	+4.1
Net income	405.5	449.0	+10.7	482.6	+7.5

Also, Bank TuranAlem OJSC, in accordance with the listing obligations, provided the Kazakhstan Stock Exchange (KASE) with the minutes of its shareholders annual general meeting, which was held on August 10, 2000 and that of extraordinary meeting held on December 4, 2000.

At the annual meeting, based on approved agenda, the shareholders of Bank TuranAlem OJSC ratified financial statements and the conclusions of the Revision commission for the year 1999, and also:

- approved and ratified the distribution order of the bank's net income for the year 1999 and norms for the year 2000;
- decided: not to charge and pay out the dividends for the year 1999 and use that year's profit to cover the losses of previous years;
- approved the deals on purchasing a 23.7% of NNOPF "Kurmet" CJSC shares and 25% of NNPF Kazakhstan CJSC shares;
- made a decision to become a founder of BTA Leasing OJSC;
- ratified big deals made by the bank in accordance with the decisions of the Board of directors, as well as the increase in liabilities related to these deals;
- assigned Ernst & Young (Kazakhstan) the bank's auditor.

Moreover, the meeting dismissed previous Board of directors and elected a new one (Baiseitov B.R., Sagiev B.N., Tatishev E.N., Nietkaliev B.J. Suankulov E.K., Majibaev K.K., Akishev S.S.) and the Revision commission (Ualiev S.N. - the chairman, Muldashev T.Z., Kanaev E.K.).

The matters regarding the increase in announced authorized capital, making changes and amendments to the charter and bond issue were removed from the agenda.

At the extraordinary meeting, based on approved agenda, the shareholders of Bank TuranAlem OJSC decided to:

- increase announced authorized capital of the bank by KZT3,000,000,000 after the floatation of the fifth issue of the shares and make corresponding changes and amendments to the charter;
- issue inscribed convertible (one preferred share can be exchanged to one common share) preferred shares without voting rights (minimum dividend is 10.25% of the face value) for a total of 300,000 shares at KZT10,000 per share amounting to KZT3,000,000,000; the offering should be public;
- issue 200,000 subordinated inscribed coupon bonds amounting to 20,000,000 U.S. dollars at face value; circulation term of the bonds is 8 years from the state registration of the issue, coupon at 12% APR;
- purchase 22.5% of NNPF Kazakhstan CJSC voting shares.

Also, the shareholders approved 10,000,000 euro loan to be received from an investment company DEG on following terms:

- at the request of DEG the loan should be converted into common or preferred shares of Bank TuranAlem OJSC;
- these shares should be reserved for at least 5,000,000 U.S. dollars for the term specified in the agreement;
- allow the DEG representatives to participate as observers at general shareholders meeting and the Board meetings until the lender will own at least 5% of Bank TuranAlem OJSC shares.

Halyk Bank of Kazakhstan OJSC (Almaty), presented the Kazakhstan Stock Exchange (KASE) with the minutes of shareholders general meeting held on October 31, 2000.

Based on approved agenda the Halyk Bank of Kazakhstan OJSC shareholders:

- elected Saidenov A.G. as a Chairman of the Board;
- dismissed previous and approved new members of the Board of directors consisting of seven people: Smagulov K.M., Abdullina N.K., Abuov M.G., Moldakhmetov N.S., Dosaev E.A., Rakhanov M.S., Saidenov A.G.;
- approved new version of the Charter taking into account new and previously entered changes and amendments;
- made a decision to use undistributed net income of previous years amounting to KZT237 mln to increase the bank's reserve capital;
- made a decision to increase announced authorized capital of the bank by KZT1,807,533,300 by issuing additional common inscribed shares for a total of 18,075,333 at KZT100 each amounting to KZT1,807,533,300.

The decision on issuing the shares and future holders of the securities were initiated by the government of Kazakhstan with its resolution #1360, dated October 30, 2000 "On certain matters of an open joint stock company "Halyk Savings Bank of Kazakhstan" under the implementation of the second stage of the privatization. The Board of directors was delegated to sign agreements on offering services such as development of the market value determining methods, floatation order and prices of new shares. The shares will be floated privately, that is among existing private shareholders.

Following securities of the Halyk Bank of Kazakhstan were entered into official list of the KASE under category "A":

- common inscribed shares (KZ1C33870410, trade code - HSBK) - from September 16, 1998 (from July 29,98 through Sep.16,98 they were traded on non-listed trade floor);
- inscribed coupon bonds (KZA7KAKK6A78, trade code - HSBKb) - from June 27, 2000.

Halyk Bank of Kazakhstan OJSC in its official letter informed the Kazakhstan Stock Exchange (KASE) of the ending of the fifth additional issue (A3387-4 of Nov.16,00, KZ1C33870410, 18,075,333 common inscribed shares, KZT100 face value) of the shares on the country's domestic market.

The shares were offered from November 20 through December 5, 2000 at KZT120 per shares. From November 20 through December 1 the shares were offered with the preemptive purchase right among the bank shareholders. From December 1 through 5 the offering was conducted privately by the subscription.

The agency IRBIS has published the news regarding the offering of this issue several times.

As a result of the offering, authorized capital of the Halyk Bank of Kazakhstan grew up to KZT5.4 bln, and the state's stake decreased from 50% plus one share to a blocking 33.33% stake. As the bank employee said to the REUTERS, the government had not participated in buying the shares of the new issue. There is no official information at the KASE on the change in the proportions owned by each shareholder after the fifth issue has been conducted. These data have not been sent by the bank representatives to the Mass media either.

Along with the bonds, the shares of Halyk Bank of Kazakhstan OJSC were entered into official list of the KASE securities under the category "A" (code - HSBK). This year the volume of 21 deals made at the Exchange equaled USD11.2 mln (including repo deals), which makes it possible to call the shares as one of the most liquid financial instruments at the KASE (the fourth place by the volumes of the deals in 2000). In purchase and sale sector the bank shares varied from \$0.7289 to \$2.3200 per share. The biggest deals were made in late November at \$0.8324 - \$0.8661 per share.

Kazakhtelecom (Astana), in accordance with the listing obligations, informed the Kazakhstan Stock Exchange (KASE) of calling an extraordinary general meeting of its shareholders on January 21, 2001 with following agenda:

- Issuance of Kazakhtelecom bonds on domestic market of Kazakhstan.
- Approval of issue terms of Kazakhtelecom bonds.

The list of shareholders, who have the voting rights, will be prepared as of December 22, 2000. The meeting will be held at: 240b, Furmanov St., office 311. In case of the absence of the quorum, the meeting will be held again on January 23, 2001 at the same place.

Komirbank OJSC (Ekibastuz), in compliance with the listing obligations, informed the KASE of an extraordinary General meeting of shareholders to be held on January 27, 2001. Following is an agenda of the meeting:

- prescheduled cancellation of authority of the Board of Directors, reelection of new board and its membership;
- issue of bonds;
- approval of the major deal (attraction of funds under foreign credit line);
- miscellaneous.

The list of shareholders possessing the right to participate in the meeting will be composed on January 3, 2001. The address of meeting: 21 Stroitel'naya St., Ekibastuz.

Aluminii Kazakhstana OJSC, in accordance with the listing obligations, provided the KASE with its minutes of General annual meeting of the shareholders, held on September 27, 2000, as well as with the report of the Board and the conclusion of the Revision commission made by the results of the year 1999.

Based on the published agenda, the shareholders of Aluminii Kazakhstana OJSC approved annual financial statements, conclusion of the Revision commission, and the report of the Board of the bank for the year 1999, as well as:

- decided to pay off dividends on preferred and ordinary shares as 10% of their nominal value;
- set Dec 01 2000 as a date of dividends payments for preferred shares (dividends will be paid off only to entities included into registrar by Dec 01, 2000);
- set June 30, 2001 as a date of dividends payments for ordinary shares (dividends will be paid off only to entities included into registrar by may 31, 2001);
- decided to create reserve fund at the expense of the net income for a total of KZT900.0 mln and development and construction fund for KZT2,331.4 mln;
- modified the decision of General shareholders meeting held on Feb 01, 1999 and increased government stake for the account of property in the for a total of KZT7,367,857 (73,678 ordinary shares);
- approved modifications and amendments into Statute;
- approved the Regulation on voting over Director's Council by default;
- approved Global Audit LLP as Kazakhstan auditor and Deloitte & Touche as international one.

The shareholders also selected new Board of directors and revision commission.

Besides, agenda of the meeting included issue over decision of Aksusk court on cancellation of resolution of extraordinary meeting held on July 24, 1997. This decision consisted of lowering of dividend rate to 10% from 25% on preferred shares of the third issue. One of the shareholder reported that decision of Aksusk court was put in force just after its rejection by regional court council. Presently, obligation of Aluminii Kazakhstana OJSC is not executed. The meeting agreed to:

- repay additional dividends in amount of 15% of the face value to the holders of preferred shares for 1997, 1998 and registered in the shareholders register by September 27, 2000;
- the dividend payment day was set on December 27, 2000.

However this decision was rejected by majority of votes as the issue is currently being considered by Supreme Court.

The chairman of the Board, Ibragimov A.T. noted that in 1999 the company produced 1,15 mln tons of alumina (160.7% to 1998), bauxite production amounted 3.6 mln tons (104.9%), volume of excavations reached 27.1 cubic meters (122.2%), produced electricity - 1.9 bln kWh, heat energy - 5.6 mln Gcl. About \$11.8 mln were

spent for repairs of the mining equipment. In 1999 the company invested 1.6 bln into fixed assets. Net income of the company amounted KZT5.4 bln. Total number of employees reached 10,186. Average salary is KZT23,003.

The company developed new investment program for 2001-2005. The cost of the project is \$61 mln. It includes construction of new calcination facility with refrigerator, compressing station and induction furnace construction as well as repairs of some existing facilities. It is expected to use both internal and external funds.

As of January 1, 2000 31.7% of stakes is held by the government, 28.2% - Kazakhstan Mineral Resources Corporation LLP (Almaty, Kazakhstan), 24.5% - Central Asian Trust Corporation LLP (Almaty, Kazakhstan), 6.7% - Production and financing company "Kara Tas-AA" (Almaty Kazakhstan), 8.8% other shareholders.

THE KASE NEWS

The Kazakhstan Stock Exchange (KASE) informs that on December 15, 2000 **the auction for initial additional offering of VITA LLP (Almaty) second issue coupon bonds** (KZ2CKAPUBA19, official list of the KASE securities, category "B", trade code VITAb2) for \$150 th. will be held in the trade system of the Exchange.

Additional offering will be held at the KASE on December 15 on following conditions.

The additional offering amount equals **one hundred fifty thousand U.S. dollars** at face value. The bids are to be made by the investors in the trade system of the KASE from 11:30AM till 1:00PM Almaty time. The bids will be made at "clean" price in percents of the face value, excluding accumulated interest as of the auction date (accumulated interest on the offering date is 0.5445%). The number of bonds should be indicated as **the nominal value of the debt being purchased** (product of the number of bonds and the face value of one bond). The amount of the deal is determined at the auction as the sum of "clean" price and accumulated interest, multiplied by the face value of purchased bonds with further division by 100%. The securities purchased at the auction should be paid **by 4:00PM Almaty time on December 15, 2000**.

Existing KASE members holding "P" category (with the right to participate in the securities trades that were entered into official list of the Exchange) **have the rights to participate at the auction**. Complete list of these members with their contact information is kept up-to-date on the KASE web site (<http://www.kase.kz/KASEMembers/>).

Coupon bonds of VITA LLP were entered into official list of the Exchange's securities under category "B" on December 6, 2000. They are traded at the KASE within an official list from December 7, 2000. The bonds are denominated in U.S. dollars. Face value - \$100.00. Total issue volume at face value - \$1.5 mln. The payments for the bonds are to be made in tenge at the rate of the National Bank of Kazakhstan, effective on the payment date.

Coupon is semiannual at 14% APR. Payment dates are June 1, 2001 and December 1, 2001. Coupons are paid in the Kazakhstani tenges at the rate of the National Bank of Kazakhstan, effective on the payment date. The coupon is calculated using **360/30** time basis. Those, who bought the bonds not later than **30 days before** the payment date, are entitled to receive a coupon.

Maturity date of the bonds is December 1, 2001. The bonds are repaid at face value in tenge at the rate of the National Bank of Kazakhstan, effective on the repayment date, by transferring the money to the accounts of the bond holder, who were registered in the register **30 days prior** to the repayment of the bonds.

Following are special terms of the bond servicing. If the coupon payment date or maturity date of the bonds happens to be a weekend (holiday), then the payments to the bond holders will be made on the first business day. At that, the bond holder has no rights to require the interest charges or any other payments for such delays. None of the bond holders have the right to have the bond be repaid ahead of schedule.

Issue terms do not provide for any lotteries. The funds raised by the issue of bonds will be used to putting into operation the chemical refining and deodorization of vegetable oil workshop (purchasing of raw materials, increasing the number of workers, expanding the branch network and creation of strong marketing support).

Market-maker of the VITA LLP bonds at the KASE is **R.G. Securities LLP** (Almaty).

Starting from January 1, 2001, Kazakhstan Stock Exchange will regularly compose and publish the rating of most active market participants among members of the Exchange. This decision was approved by the Exchange Council of KASE on December 8.

The rating will be composed on the basis of **volumes of concluded deals** for three sectors separately: government bonds (REPO sector), securities (REPO sector) and forex market. Composition will include **gross position of a participant** (total volume of purchase and sale operations).

The rating will be published monthly.

Kazakhstan Stock Exchange plans to abolish starting from January 1, 2001 **mandatory blocking of the shares** in the depo-accounts of sellers in Central Depository of Securities CJSC. The decision concerns only to trades with non-government securities. In addition, all settlements with shares included into the official list of KASE securities and concluded using uninterrupted counter auction method (main trade mode) would be made on **T+0 term**.

This decision was accepted by the Exchange Council on **December 8**.

At present, trades on listing shares (categories "A" and "B") are held using prior blocking and on T+3 term. This procedure limits maneuvering of brokers.

MARKET-MAKERS

Demir Bank Kazakhstan OJSC (Almaty) submitted to KASE statement on voluntary denial of market-maker status over euronotes of the third issue (XS0102764031, Oct.18, 99 - Oct.18, 04, trade code **ENU4.10_ret**) in the sector of small lots. By the decision of the Board of Kazakhstan Stock Exchange dated December 13, 2000 the bank is released from obligatory quotations of euronotes **from December 27, 2000**.

Demir Bank received the market-maker status on June 27, 2000, and started quote notes on July 3, 2000.

The decision to organize this sector was made by the Exchange council of KASE on May 19, 2000 to give retail investors an opportunity to conduct operations in state bonds in trade system of the Exchange.

After refusal of the Demir Bank, sector of small lots (SML) has only one market-maker over euronotes, State Accumulative Pension Fund CJSC (SAPF). It has quoted euronotes of the fourth emission (XS0111078183, May 11, 00 - May 11, 07, trade code – **ENU07.05_ret**) since July 3, 2000.

Prepared by the agency «IRBIS»

The bonds of Karazhanbasmunai OJSC were entered into official list of the KASE securities under category "A"

Special issue based on the information of Karazhanbasmunai OJSC, KASE, NSC of Kazakhstan and agency IRBIS

On December 8, 2000, by the decision of the Exchange council of the Kazakhstan Stock Exchange (KASE), of the same date, inscribed coupon bonds of an open joint stock company Karazhanbasmunai OJSC (Aktau) of the first issue were entered into official list of the KASE securities under category "A". The quotation accuracy of KARMb1 in the trade system of the KASE is set at four decimal points.

Following is brief characteristics of Karazhanbasmunai OJSC (company), its activities and issued securities. The management of Karazhanbasmunai OJSC is fully liable for the reliability of the presented information.

GENERAL INFORMATION OF THE BOND ISSUE

Type of the securities:	ordinary coupon bonds, indexed by the change in the exchange rate of tenge to U.S. dollar
National identification number:	KZ73BAQLBA36
Number in the state register	A26
Registrar	Tsentr Dar LLP (Almaty)
Face value, USD:	100.00
Issue volume, USD:	20,000,000.00
Number of bonds:	200,000
Circulation starts on	December 20, 2000
Floatation term	3 years from the circulation starting date
Circulation term	3 years
Maturity	December 20, 2003
Interest:	11.0% APR
Interest payment days	on June 20 and December 20
Time basis for coupon calculations	360/30
Deadline to be registered for coupon payments	30 days prior to the payment date
Deadline to be registered before the maturity	10 day prior to the maturity date
Servicing of the issue	in tenge at official rate of the National Bank of Kazakhstan, effective on the payment date
Financial consultant of the issuer	Kazkommerts Securities OJSC (Almaty)
Admittance date to the KASE trade lists	December 8, 00
KASE trade code	KARMb1
Market-maker at the KASE	Kazkommerts Securities OJSC
Payment agent	KAZKOMMERTSBANK OJSC (Almaty)

The funds raised through the bonds issue will be used to finance rehabilitation of "Karazhanbas" oil field.

GENERAL INFORMATION ON THE COMPANY

The date of initial state registration – May 15, 1995. Legal status – open joint stock company. Ownership – private. Legal address of the head office – 23rd microdistrict, Aktau, Mangistau region, 466200, Kazakhstan, actual address – 15th microdistrict, building 18, Aktau, Mangistau region, 466200, Kazakhstan.

Primary activities of the company are the development of "Karazhanbas" deposit site, extraction, preparation, realization and processing of oil, introduction of thermal methods of oil productivity, construction of wells, purification and processing of crude oil, construction of facilities for oil preparation, exporting, marketing and sales of hydrocarbons and hydrocarbon products. The major goal of the company, based on the Charter, is the extraction of oil and gas in Kazakhstan, as well as by attracting different investments into oil and gas industry, and receiving income from such activities.

Karazhanbasmunai OJSC is a member of the Kazakhstani oil and gas association (KOA), which is a forum aimed at the exchange of commercial information in order to develop exploration and production activities in oil industry. From 1997 the company is also a constant participant of an annual exhibition "Oil and gas of Kazakhstan" (KIOGE).

As of September 30, 2000 the number of Karazhanbasmunai OJSC workers equaled 1,941.

LICENSES

- Of the government of Kazakhstan to use the mineral resources in order to extract hydrocarbons on oil and gas deposit site "Karazhanbas" in Tupkaragan district of Mangistau region for 25 years; enacted on June 7, 1995.
- Of the government of Kazakhstan to use the mineral resources in order to extract building sand at the open-pit mine #9 in Tupkaragan district of Mangistau region for 15 years; enacted on April 7, 1995.
- State license of the Committee on construction affairs of Kazakhstan to conduct construction and design works in Kazakhstan, enacted on June 5, 2000; to be validated annually.

RESERVES

Based on the license of the government of Kazakhstan to use the mineral resources in order to extract hydrocarbons on oil and gas deposit site "Karazhanbas" in Tupkaragan district of Mangistau region, as of January 1, 1997, and on the basis of the approval of the State committee of Kazakhstan on the reserves industrial reserves equaled:

- oil – 238,535 th. tons (geological), including extractable – 96,983 th. tons;
- dissolved one – 1,908 mln cubic meters (geological), including extractable – 776 mln cubic meters;
- gas from gas caps – 25 mln cubic meters (geological).

Remaining reserves as of indicated date (by the company prospectus – categories A+B+C₁) equal:

- oil – 225,811 th. tons (geological), including extractable – **84,259 th. tons**;
- dissolved one – **675 mln cubic meters** (extractable);
- gas from gas caps – 25 mln cubic meters (geological).

The mountain allotment has an area of 16,001 ha. The extraction is allowed within the deposits of lower cretaceous and mid Jurassic layers till the mark **negative 500 meters**.

"Karazhanbas" deposit site is located on Buzachi peninsula to the north of Aktau port. As of late September 2000, from the beginning of extraction works 15 mln tons of oil was extracted (15% of extractable reserves), remaining extractable reserves equal 82 mln tons. Based on the re-evaluation, conducted in August 1999 by Mille and Lenz Ltd. consulting company, remaining extractable reserves equal **17.5 mln tons**. Another 30 mln, based on the estimates of Mille and Lenz Ltd. and Nation Energy Co. Ltd. specialists, can be extracted beyond the boundaries of current developed area.

BRIEF ESTABLISHMENT HISTORY

In 1986 the Administration of experimental oil and gas extraction of Kazakhstan was established as a separate enterprise – NGDU Karazhanbasneft. In 1994 NGDU Karazhanbasneft was reorganized into joint stock company Karazhanbasmunai. On March 20, 1996 the company was registered with the Justice department of Aktau as joint stock company Karazhanbasmunai. According to the purchase and sale agreement of the state block of shares of Karazhanbasmunai JSC, signed between the government of Kazakhstan and the Canadian Triton-Wuko Energy Group Ltd. (renamed into Nations Energy Co. Ltd.) on April 10, 1997, 94.622% of the company shares (100% of voting shares) were bought by Triton-Wuko Energy Group Ltd. On September 8, 1999 the company was re-registered as Karazhanbasmunai OJSC.

CAPITAL AND SHAREHOLDERS

As of September 30, 2000 announced authorized capital of Karazhanbasmunai OJSC equaled **KZT2,161,251 mln** and was fully paid. Total of 2,045,035 common inscribed (KZ1C00160225) and 116,216 preferred inscribed (KZ1P00160220) shares were issued with KZT1,000 face value. The share issue was registered with the NSC on Jan.10.97 under the number A0016-1. The floatation report was approved by the NSC on Oct.21.97. The issuer's register is maintained by the Tsentr Dar LLP (Almaty).

Based on the extract from the securities holders register, as of May 30, 2000 the shares of Karazhanbasmunai OJSC were held by 1,457 shareholders. The Nations Energy Co. Ltd. holds 100% of common shares, which is 94.62% of all the shares. The Nations Energy Co. Ltd. was registered in Canada, and has a head office in Houston, USA and representatives in Aktau, Almaty, Geneva and Calgary. The company develops new production companies on the basin of the Caspian Sea, Central Asia and Far East. The company's major shareholder is the Cyprus based corporation, Ekolo Investments Ltd., who has 90% of the Nations Energy Co. Ltd. shares. Total capitalization of the Nations Energy Co. Ltd. reached about \$70 mln as of May 1, 2000.

ACTIVITIES

Karazhanbasmunai OJSC is an integral company without subdivisions and a single operator of the "Karazhanbas" oil site.

After the breakup of the Soviet Union and until the privatization of the company, the drilling works were completely shut down at the "Karazhanbas" site, and part of the equipment was broken. As of April 1999 only 450 wells out of 1,052 wells were in working condition, but actually, less than 100 was in operation. The program of major overhaul of the wells, that began in May 1999, increase the number of working wells up to 235. In May 2000 a new program for drilling 50 wells was launched. As of today 20 wells have been drilled, of which 19 is being used. The volume of daily production from one well varies from 60 to 1,200 barrels (8.2 – 164 tons), which proves that average daily production can be by 250 barrels (31 tons), that is the volume used when the project was developed.

The most of produced oil has a high degree of viscosity and in order to increase the oil productiveness the pressure is maintained within the layers by pumping a steam into the wells. Also, the oil production is increased by optimizing the drilling grid, mechanical impact on the layer and washing the collectors with chemicals.

The company sells all the oil by itself, and from June 1997 more than 2 mln tons were sold. A regional company was established on the basis of the marketing department of the Karazhanbasmunai OJSC, which markets crude oil extracted from "Karazhanbas" site and by other companies on the basis of offering paid services. The location of the site allows the company to use several oil transportation routes, which enables it to redirect the crude oil to the most favorable market.

The company has a direct access to the pipelines of NOTC KazTransOil CJSC in the south of the deposit site, and using it the company transports its crude oil to Aktau port. The most of the oil then goes through Aktau – Makhachkala – Novorossiisk by tankers, railroads and pipelines. The oil is also sent to Samara through the KazTransOil systems passing by Uzen and Atyrau. From Samara the oil goes through Russian TransNeft system to the Black Sea ports and to the European countries. Part of the oil is exported by the tankers to Baku and Makhachkala with further transportation to Europe by railroads or pipelines.

Average indicators per ton of oil sold by Karazhanbasmunai OJSC (KZT/ton)

Indicator	In 1998	In 1999	In III Q 2000
Sales price	66	96	140
Cost	47	24	22
Transportation expenses	16	22	28

Crude oil sales volumes of Karazhanbasmunai OJSC

Period	Sales volume, tons	Weighted average price gross (USD/ton)
July 31.97 - Dec.31.97	246,000	89
1998	455,600	66
1999	485,000	96
Jan.1.00 - Oct.31.00	650,000	140

Additional transportation and marketing opportunities are the use of the Caspian Pipeline Consortium (CPC), which will be put into operation by June 30, 2001, as well as the possibility of increasing the oil price by selling high grade blends. Presently, Karazhanbasmunai OJSC works with Tengizchevroil to develop the market for "Light Ural Export Blend", which consists of the blends of oils from Buzachi peninsula and Tengiz. The company is still developing new markets. For example, in July 1999 Karazhanbasmunai OJSC shipped the first batch of crude oil to Lithuanian oil refinery "Majeikju Nafta".

IMPORTANT DEVELOPMENT PROJECTS

"Karazhanbas" deposit site rehabilitation project. Rehabilitation of oil fields on developed sides of "Karazhanbas" deposit site is the high priority task for Karazhanbasmunai OJSC. Estimated general expenses of the project equals \$209 mln. Financing will be conducted through the use of reinvested funds, produced by Karazhanbasmunai OJSC, long-term financing of the Kazakhstani banks and through bond issue on the stock market of Kazakhstan.

The major goals of the project are:

- to change the development system of "Karazhanbas" deposit site in order to use the reserves in hardly accessible collectors and increase the oil production coefficient in mid and high productive collectors;
- to drill 50 wells on the deposit site and their development in order to increase the production volumes (16 wells were drilled in 2000);
- to reconstruct the deposit site in order to increase the technological effectiveness and the life of the layer pressure maintaining and collector facilities;
- to reconstruct the transportation within the field, storage tanks and oil purification tanks.

As a result of these works the production on the deposit site and on its boundaries can be increased up to 60,000 barrels a day, or 3 mln tons a year within the next three years.

In order to finance the project the Karazhanbasmunai OJSC has signed credit agreements with several Kazakhstani banks for a total of \$27 mln. As of September 30, 2000, the company completely used the funds.

Restoration of existing and preserved wells. It is planned to increase the number of facilities for conducting major overhaul of the wells from 5 to 9, which should allow the company to restore the production at all economically viable wells.

Development of Eastern sector. After drilling exploration wells in Eastern sector, the plot with the area of 22.4 square km was identified for the production drilling. The development plan of the Karazhanbasmunai OJSC includes the development of 276 new wells (138 production and 138 pumping wells). It is planned to construct a new processor for the preparation of about 15,000 barrels of oil a day (750 th. tons a year). Based on the drilling results and work experience on "Karazhanbas" deposit site, geological reserves of the Eastern sector are estimated at 81 mln tons, extractable – 29 mln tons.

Development of Western sector. By drilling exploration wells it was proved that it is possible to produce oil up to six kilometers off the development site borders and the plot usable for the production drilling was outlined. The development of the Western sector, including the drilling of 176 wells, was planned for the year 2002.

Development of other sites. After the drilling of two exploration wells Karazhanbasmunai OJSC estimates the sizes of other perspective sites located to the north of the field, as 33 square kilometers. These sectors are to be developed in 2004. It will require the drilling of about 350 wells.

Following are financial and economic ratios of Karazhanbasmunai OJSC (Aktau), made by the data of the Listing Commission of Kazakhstan Stock Exchange (KASE). The information is published in connection with admission of the first issue bonds of the company into official list of the KASE securities, category "A". The management of Karazhanbasmunai OJSC assumes full responsibility for the reliability of presented information.

FINANCIAL STATEMENT DATA PRESENTED BY THE ISSUER

Karazhanbasmunai OJSC presented its balance sheet, income and cash flow statements for the years 1997-1999, as well as intermediate statement for the year 2000, which was made in accordance with the Kazakhstani accounting standards (KAS).

Financial and economic indicators of Karazhanbasmunai OJSC

(in th. KZT, unless otherwise specified)

Index	As of	As of	As of	As of
	Jan.1 '98	Jan.1 '99	Jan.1 '00	Oct.1 '00
Authorized capital (paid)	2,161,251	2,161,251	2,161,251	2,161,251
Shareholders' equity	709,048	-221,510	319,414	3,683,860
Book value of the assets	5,691,324	5,431,292	5,180,800	8,894,151
Net working capital	-4,237,243	-4,962,456	-4,191,346	6,591
Accounts receivable (net)	350,233	561,545	487,997	2,343,622
Liabilities, total	4,982,276	5,652,802	4,861,386	5,210,291
Bank loans	-	-	-	3,823,239
Accounts payable	4,982,276	5,151,528	4,861,386	1,074,308
Sales	3,345,439	2,194,731	6,184,759	11,986,160
Undistributed profit (deficit)	(2,335,544)	(3,159,02)	(2,540,719)	560,692
Net profit (loss)	(1,040,907)	(868,486)	573,491	3,363,820
Return on sales (ROS), %	20.40	10.99	73.46	80.17
Return on equity (ROE), %	-	-	179.54	91.31
Return on assets (ROA), %	-	-	11.07	37.82

Most of undistributed deficit in 1997 and 1998 caused the assets and shareholders' equity of Karazhanbasmunai OJSC to decrease up to negative in 1998. This circumstance makes it incorrect to calculate the return on equity and assets for these years.

1997 and 1998 financial statements were audited by **PricewaterhouseCooper LLP** (Almaty, Kazakhstan). The auditing report reads [\(quote\)](#) "... the assessment of the fixed assets did not comply with the KAS bookkeeping norms #6. ... It affects the financial and economic results of the company shown in its statements" [\(unquote\)](#). Except for the corrections that should be made upon conducting assessments under existing record keeping norms, financial statements, in the view of PricewaterhouseCoopers LLP, reflect financial situation of Karazhanbasmunai OJSC objectively and reliably as of December 31, 1998. At that, the auditor paid attention to significant losses of the company, prevalence of current liabilities over current assets and expressed his doubt in the company's ability to work steadily further on.

1999 financial statements and intermediate financial statement as of September 30, 2000 were audited by **Arthur Andersen** (Almaty, Kazakhstan). The auditor notes, that as of Sep.30,00 Karazhanbasmunai OJSC [\(quote\)](#) "... had no grounded report of an independent appraiser on oil reserves. As a result, we could not get sufficient information to express our opinion regarding the principle that was used to assess the assets of an oil complex... In our opinion, except for the cases of effects of correction entries, if such entries were made, if the Company received justified report on the reserves... financial statements give a reliable and objective picture of Karazhanbasmunai OJSC financial situation as of September 30, 2000 and December 31, 1999, results of its

activities and cash flows in nine months ended on September 30, 2000 in accordance with the Kazakhstani accounting standards" (unquote).

Following is a brief description of the risks, related to the activities of Karazhanbasmunai OJSC. The information is made by the comments of the Listing Commission of Kazakhstan Stock Exchange (KASE) given in the conclusion regarding the possibility of the admission of the first issue bonds of the company into official list of the KASE securities, category "A".

CHARACTERISTICS OF THE RISKS

Risks related to the oil price drop. The major activities of Karazhanbasmunai OJSC is the extraction of oil and gas in Kazakhstan with their further sales on domestic and external markets. The company's success depends to a certain degree on favorable market situation on the oil market. Presently, mostly due to the introduction of modern technologies and shallow oil deposits (most of the reserves are within 50 and 150 m), the development of the field is highly profitable. The income from extraction and sales of one ton of oil give Karazhanbasmunai OJSC KZT5,687, which the issuer believes to be one of the highest figures among all the Kazakhstani oil companies and provides Karazhanbasmunai OJSC with noticeable margin of safety in case of price drops. By the management estimates, the company's activities become unprofitable only if the world oil prices drop below \$10 per barrel. Under a constant growth of the demand and the measures taken by the OPEC to support the prices, such price drop is highly unlikely in near term.

Depletion of oil reserves. As of late September 2000, 15 mln tons of oil was extracted at "Karazhanbas" deposit site, which is 15.5% of extractable reserves approved in Soviet times. Remaining extractable reserves equal 82 mln tons. Based on the re-evaluation, conducted in August 1999 by Mille and Lenz Ltd. consulting company, remaining extractable reserves, including remaining reserves beyond the boundaries of current developed area, are more than 48 mln tons. Thus, existing reserves allow the company to maintain projected production level (about 3 mln tons a year) for at least 16 years. The company management plans to obtain new report on the reserves by late 2000.

Technical factors. Technical risks for Karazhanbasmunai OJSC are related to a high wear and tear of part of drilling, pumping and oil collecting equipment. Accumulated depreciation on fixed assets equals 27%. Presently, the issue did not replace most of worn out pumps and continues to replace the equipment.

Change in the legislature. Changes in political, legislative, tax and regulatory areas can have potentially noticeable impact on the activities of Karazhanbasmunai OJSC. The company is partially protected from existing changes in the legislature regarding the regulations of its activities, since the taxation of Karazhanbasmunai OJSC is fixed at the privatization date.

Debt liabilities. Purchasing price of the company shares equaled \$45 mln when the Nations Energy Co Ltd. bought them. This amount has been paid completely by March 12, 2000. In addition to a purchase price of the shares, the company agreed to take existing debts of Karazhanbasmunai OJSC. By the time when the deal was made, Karazhanbasmunai OJSC had payables on loans, wages, taxes and other budgetary payments totaling \$48 mln. Additional liabilities for \$6 mln were discovered after the deal has been made. All \$54 mln debt has been paid off by September 2000.

In June 2000 Karazhanbasmunai OJSC took a \$18 mln loan from KAZKOMMERTSBANK OJSC to be paid off in June 2002. The loan is to be paid in monthly payments beginning August 31, 2000. It has been granted at 17% APR. Later the interest rate was lowered to 14.85% APR.

Also, in June 2000 Karazhanbasmunai OJSC took a \$9 mln loan from Halyk Bank of Kazakhstan OJSC to be paid off in June 2002. The loan is to be paid in monthly payments beginning October 22, 2000. It has been granted at 16% APR.

Exports quotation. In late 1999 the government of Kazakhstan imposed restrictions in order to load domestic oil refineries, which stated that total oil exports in 2000 should be not more than 22 mln tons. On April 14, 2000 this resolution was cancelled, however, it is still possible that such measures can be used again. Presently, Karazhanbasmunai OJSC exports about 90% of its oil. Increase in oil supplies onto domestic market could lower the company's income and its profitability, since the sales had to be made at much lower prices (in 2000 they were at an average of 65% of export prices). Currently, about 100 mln tons of oil per year is needed to load three domestic refineries. The production of oil and gas condensate will be about 34 mln tons in 2000. In case if the decision on equal proportions of oil to be supplied by all oil companies were made, this company would have 29% of all supplies. Thus, maximum increase in sales on domestic market would mean 7% decrease in the company's income from its current level, which would not reduce the company's profitability noticeably.

Environmental issues. On licensed territory 60 temporary reservoirs, which were liquidated and now contain from 4 to 5 th. wastes and oil, were built during the Soviet time and in the 90's. Long use of oil production equipment resulted in emergencies, oil leaks from entrance of the well's equipment, as well as breaches in pipelines within the field and main lines. As a result, the depth of the soil saturated with oil reaches 15-20 cm. Considering this situation, more than KZT33 mln was allocated for environmental issues in the budget-2000. Of this amount, KZT6.5 mln was allocated to utilization of emergency waste and clean up of the soil. In order to prevent the oil leaks in 1999-2000 part of the pipelines was replaced. There is mobile laboratory for conducting uninterrupted monitoring and analysis.

Flooding of the fields. To prevent the flooding of the fields Karazhanbasmunai OJSC has constructed and fortified 16 km of dams, which cost KZT1,642 mln. In addition, risk of the oil getting into the waters of the Caspian Sea should be reduced noticeably due to the cleaning and elimination of the oil overflows on the field.

Social factors. Objects of social infrastructure that belonged to the company were removed from the company and passed to the city housing department. According to the privatization terms, Karazhanbasmunai OJSC has to invest \$2.5 mln into the development of social sphere and \$1.25 mln into the training of local specialists. Presently, Karazhanbasmunai OJSC is moving ahead of the schedule.

Prepared by the agency «IRBIS»