

WEEK OF STOCK MARKET OF KAZAKHSTAN

October 12 - 18

1 US dollar = **142.65** tenge at official rate for the end of the period

1 US dollar = **142.56** 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 October 12 - 18. In parentheses – figures of previous period. Instruments are given in ascending order, based on their attractiveness.

Investment attractiveness of stock exchange instruments from October 12 through 18

Financial instrument	Currency	Yield, % APR	Volume of deals, mln KZT	Volume of deals, mln USD
ALKSb	USD	14.97 (14.63)	0 (0)	0 (0)
KOMBb	USD	13.50 (13.50)	0 (0)	0 (0)
KZOLb	USD	11.30 (10.83)	18.9 (0)	132.5 (0)
ATFBb	USD	11.21 (11.26)	0 (0)	0 (0)
HSBKb	USD	10.50 (10.50)	0 (0)	0 (0)
MEKKAM, notes	KZT	*10.36 (9.43)	1,394.9 (1,092.8)	9,782.9 (7,666.3)
TMJLb	USD	10.00 (10.00)	0 (0)	0 (0)
KKGBb	USD	9.85 (9.96)	0 (0)	0 (0)
Euronotes-4	USD	9.58 (9.60)	2,448.4 (2,438.3)	17,171.0 (17,105.1)
Euronotes-3	USD	9.21 (9.23)	1,146.1 (626.9)	8,037.8 (4,397.7)
Euronotes-2	USD	9.04 (8.91)	11.4 (76.6)	79.6 (537.6)
TEBNb	USD	8.64 (8.70)	0 (0)	0 (0)
MEKAVM	USD	*7.70 (8.14)	34.4 (241.7)	241.1 (1,695.3)
RENTb	USD	6.47 (7.15)	0 (0)	0 (0)
GS repo	KZT	*3.44 (3.15)	2,258.0 (1,881.0)	15,835.6 (13,195.2)

Notes: yield of KZOLb is calculated as average of deals, including initial offering; for other corporate bonds - 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 **0.19% 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 October 18, 4:00 PM ALT and changes during the week

Term	Currency	Rate	Trend
1 week	KZT	6.38	-0.12
2 weeks	KZT	6.94	-0.41
1 month	KZT	7.63	-0.57
2 months	KZT	8.25	-0.75
3 months	KZT	9.25	-0.70

As it happened last week, during the week the cost of the money were changing bilaterally and insignificantly. This factor was influencing noticeably on other sectors of the market. Even on the last day of the period, October 18, when the banks and their clients had to pay for the government bonds purchased at four auctions of the week, the rates did not grow though the volume of repo opening deals increased four times at the KASE.

THE SECURITIES SECTOR (SS)

Secondary market

During observed period 19 deals amounting to **\$928.4 th.** were made in **purchase and sale sector** of the securities on trade floors of the KASE. Relative to previous period (\$792.3 th., 16 deals) weekly turnover of the sector increased by 17.2%.

In terms of deal volumes **common shares of Bank TuranAlem OJSC** (Almaty, official list of securities, category "A", BTAS) were the leaders, with their proportion in total turnover of securities reaching 76.8%. Then, coupon bonds of NOC KAZAKHOIL CJSC (Astana, official list of securities, category "A", KZOLb) - 14.3% of the market. Volume of deals made in other interments traded during the week were insignificant. Last week the market leaders were common shares of Bank TuranAlem OJSC as well. It is worth to note that all deals made in these securities were market deals, that is, they were made using the main trade mode of the KASE (the market-maker of BTAS works on the trade floor), and characterized by a constant price - \$70.20 per share. This price does not change during the last one and a half month. One some rare deals (usually, with small volumes) are made by the brokers at higher prices, as it took place on October 17, when the block of 6,400 shares was bought at \$86.93 per share.

During the week the price of KZCRp fell by 12.3% relative to previous successful trades, KZTKp - by 29.7%. The values of ALKZp, EAECp, JGOK and SSGPp did not change. The yield of an only bond traded during the week, KZOLb, grew from 11.2012% to 11.2978% APR.

It should be said that this sector of the stock market is demonstrating a stability lately, though it is not quite active. There is no wide-spread interest in the securities. The market liquidity is usually maintained with the help of one instrument which also helps the brokers to solve some of their specific tasks. Recent typical example is common shares of Bank TuranAlem OJSC. Along with quite rare purely market deals, there are hidden repo deals made, and their volumes are major. Conducting such deals on a special trade sector of the KASE is not beneficial for the brokers because of the commission fees, that distort the required repo rate. Therefore, interested trade participants make repo deals on the main trade floor deliberately assuming the risk of intercepting the bid by another broker. The absence of an objective demand for the shares minimizes this risk.

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 October 12 - 18

USD per share, unless otherwise specified						
Issuer	Securities	Close	WA price	Volume	Best bid	Best offer
Almaty Kus OJSC	ALKS			0	0.15	0.31
Aliuminii Kazakhstana OJSC	ALKZp	*0.42	0.42	32 565	0.42	0.42
Bank TuranAlem OJSC	BTAS	70.20	82.61	8 630	86.93	70.20
Bank CenterCredit OJSC	CCBN	1.53		0	1.18	1.40
Evroziatskaya energeticheskaya korporatsiya OJSC	EAECp	*2.45	2.45	838	2.45	2.45
Halyk Bank of Kazakhstan OJSC	HSBK	*0.91		0	1.10	1.82
Jairemskii GOK OJSC	JGOKp	*3.99	3.99	91	3.99	3.99
KAZKOMMERTSBANK OJSC	KKGB	80.00		0	0.25	0.50
TNC Kazchrome OJSC	KZCRp	*2.46	2.46	617	2.46	2.46
Kazakhtelecom	KZTK	15.00		0	16.00	18.00
Kazakhtelecom	KZTKp	*8.08	8.04	6 864	8.08	8.00
Rakhat JSC	RAHT			0	*0.42	
SSGPO JSC	SSGPp	*2.80	2.80	3 635	2.80	2.80
SHNOS OJSC	SYRG	1.63		0	1.30	
Temirbank OJSC	TEBN	*1.10		0	0.70	3.62
UKTMK OJSC	UTMK	*50.00		0	5.00	145.00
UKTMK OJSC	UTMKp	28.00		0	30.00	50.00

Results of the trades in bonds from October 12 - 18

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	15.13		0.00	17.03	15.03
AMB CJSC	ATFBb	USD	11.38		0.00	11.38	11.28
Halyk Bank of Kazakhstan OJSC	HSBKb	USD	12.00		0.00	12.61	10.50
KAZKOMMERTSBANK OJSC	KKGBb	USD	12.76		0.00	13.69	9.85
Komirbank OJSC	KOMBb	USD	14.50		0.00	16.50	13.50
NOC Kazakhoil CJSC	KZOLb	USD	11.30	11.30	132.52	11.29	11.30
RENATA LLP	RENTb	USD			0.00		*6.79
Temirbank OJSC	TEBNb	USD	11.28		0.00	12.10	8.67
Kazakhstan Temir Joly NSE	TMJLb	USD	10.82		0.00	10.50	10.00

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, **fell by 0.2927**, at **99.7073** at October 18 closing. The change in the index was due to the growth in bid quotations of common shares of Kazakhtelecom (by 6.7%), Bank CenterCredit OJSC (by 1.9%) and Bank TuranAlem OJSC (by 1.4%).

The securities repo sector is still inactive: four indexed securities repos are opened for a total of **\$1,540.7 th.**

Capitalization

On October 18, 2000 the **capitalization of the companies**, whose shares are traded on the securities exchange market of Kazakhstan, equaled **\$1,302.4 mln** or KZT185.7 bln at tenge to dollar rate of the

Exchange, effective on that date. During the week this number decreased by \$4.6 mln in terms of dollars was caused by a decrease in the values of TNC Kazchrome OJSC preferred and Kazakhtelecom shares (see above).

The capitalization of the exchange market of corporate bonds by the best bids, that are regularly put out by the market-makers of these securities in the trade system of the Exchange, was fixed at **\$101.5 mln** as of October 18, or **KZT14,469.7 mln**. This is a new indicator calculated by the KASE regularly, and shows actual volume of the Kazakhstani exchange market of the bonds. In nominal value (total face value of the bonds that were entered into trade lists of KASE) is estimated at **\$105.1 mln** as of this check date. or **KZT14,989.7 mln**.

GOVERNMENT SECURITIES (GS)

In GS purchase and sale sector of KASE total volume of **78 deals** equaled **KZT5,551.7 mln**. In previous week the turnover did not exceed KZT4,808.6 mln with 87 deals made. The volumes of the periods are quite comparable. The turnover structure did not change much as well. The stabilization of the exchange rate of the dollar stimulated some outflow of the traders' funds to from the sector of MEKAVM into the sector of MEKKAM and the notes, and the growth in MEOKAM turnover, was due to constant increase in the number of this kind of bonds in circulation.

Parameters of stock exchange transactions in SS from October 12 - 18

(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 GS: MEKKAM-3, 6, 12, notes				25.1% (22.7%) of purchase and sale sector's turnover		
8 - 14	5.00	8.51	5.00	8.00 (5.46)	258.6	4
15 - 28	7.07	7.20	7.07	7.18 (8.30)	24.4	2
29 - 36	7.00	7.20	7.00	7.05 (-)	21.1	2
43 - 56	7.50	7.50	7.50	7.50 (8.19)	35.5	1
57 - 63	7.70	7.70	7.70	7.70 (-)	20.4	4
64 - 91	7.70	7.71	7.70	7.71 (7.80)	101.5	3
92 - 181	8.10	8.32	8.10	8.21 (-)	186.8	3
182 - 364	9.00	17.22	10.03	12.27 (14.56)	746.7	11
Total					1 394.9 (1 092.8)	30 (21)
Discounted indexed GS: MEKAVM-9, 12				0.6% (5.0%) of purchase and sale sector's turnover		
less than 8	7.00	7.00	7.00	7.00 (-)	18.5	2
92 - 181	7.98	8.13	8.00	8.02 (7.96)	15.9	3
Total					34.4 (241.7)	5 (5)
Coupon GS: MEOKAM-24, 36				9.3% (6.9%) of purchase and sale sector's turnover		
609 - 1,072	11.88	18.78	18.78	13.31 (13.51)	516.2	13
Total					516.5 (332.2)	13 (7)
Euronotes of Kazakhstan, USD				65.0% (65.3%) of purchase and sale sector's turnover		
*706 - 710	8.84	9.14	9.14	9.04 (8.91)	11.4	3
**1,440 - 1,446	9.16	9.32	9.31	9.21 (9.23)	1,146.1	16
***2,363 - 2,368	9.56	9.64	9.60	9.58 (9.60)	2,448.4	11
Total					3,605.9 (3,141.9)	30 (54)
SUBTOTAL					5,551.7 (4,808.6)	78 (87)

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 GS repo sector 86 deals for a total of KZT3,641.9 mln were made during the period. Of this number 48 deals (for KZT2,258.0 mln) were repo opening deals and 38 (KZT1,383.9 mln) were repo closing deals. Last week total turnover of this sector of the market was at KZT4,377.5 mln. No principal changes were observed here also, which is confirmed by stable repo rates and the cost of interbank money (see above).

After closing of the trades on October 18 total amount of opened repo equaled KZT5,413.6 mln. Current weighted average rates as of October 18 (% APR) equaled: for 1 day – 3.11; for 3 days – 4.00; for 5 days – 4.00; for 6 days – 5.56; for 8 days – 6.50; for 17 days – 7.00; for 23 days – 8.20; for 28 days – 4.50; for 29 days – 9.50; for 30 days – 5.50; for 31 days – 5.50.

Total of 164 deals amounting to **KZT9,193.6 mln** were made in GS on trade floors of KASE during last period (purchase and sale and repo sector). Last week volume of 123 deals was KZT9,186.1 mln.

In this week **proportion of the stock market turnover** in total volume of deals on Kazakhstani secondary market for GS for comparable operations (including euronotes and repo operations) equaled **68.0%**, for last week it was 62.0%.

CHANGE IN THE LEGAL BASE

By the decision of the Board of the KASE, dated October 12, 2000, changes were made into normative document of the Exchange "**Computation methods of the KASE index**". The changes are principal, and

required the specialist of the Exchange to recalculate the KASE Index starting from the base date - **July 12, 2000**.

The following remained unchanged. The basis for the KASE index are values of the shares from official list of KASE of category "A", that are quoted daily in the Trade system of the Exchange. The index are computed from September 19, 2000 based on the best bids (bid quotations) put out by the market-makers of the shares. It is believed that the index equal to 100 is registered at the KASE on July 12, 2000. Percentage change in the index will show average percentage change of the bid prices relative to July 12, 2000. The "weight" of each share - degree of influence of its quotations on the index - is determined on the basis of its proportion in market capitalization controlled by the share. The more the proportion of market capitalization controlled by the share, the higher the influence it has on the index. The change in the list of shares used to calculate the index will take place automatically when the official list "A" for the shares with the market-makers changes. If the list of securities changes, the index will be corrected correspondingly by computing correction coefficient that ensures the compatibility of a new and old capitalization coefficients from the moment when the list changed. In this case the ratio between the index calculated for previous day and the index calculated for the previous day, that includes the changes in the list of securities used to calculate the index, is computed.

The changes in the methods concern the following. Previously, the change in the index reflected the modification of the bid quotations relative to previous day, and now - relative to July 12, 2000. When all quotations return to the level observed on July 12, 00 after a temporary growth or decrease, the index calculated in previous manner could not equal to 100. With the new calculation method return of all quotations to their base level will cause the index to return, correspondingly, which, in the opinions of the Exchange's specialists, is more clearly reflects the dynamics of the prices on the market. By the new method **the index for the current day** is the quotient expressed in percents which resulted in the division of the calculation coefficient by the number of shares used to calculate the index. **Calculation coefficient** is the sum of values calculated for each share: ratio of purchase price of the current day to similar figure of previous day raised to a certain power, with the power being the share's market capitalization coefficient, which is calculated by the formula given in the Methods.

The accuracy of the index is **four decimal places**.

More details of the document "Computation methods of the KASE index" can be found on the Internet (http://www.kase.kz/geninfo/normbase/ind_met.asp).

As before, the KASE plans to publish this index in the mass media and on its web-site (www.kase.kz) once a day by the results of the day. Later, if the market gets more active the index will be monitored continuously.

By the resolution of Directorate of The National Securities Commission of the Republic of Kazakhstan (NSC) #677 dated October 12, new amendments and modifications to the "**Market-makers Activities Rules**" (Rules) will be put in force from October 19. The Rules were previously approved at the meeting of the KASE members holding "K", "P", "H" categories on October 14, 1999 and after the approval of NSC they will **be enacted since October 19, 2000**.

According to new wording, securities market makers (MM) will be responsible for untimely and incorrect execution of their obligations over specified instruments.

For untimely execution of requirements (repeated three times) to set obligatory quotations, the MM must pay fee of \$100 in Kazakhstan tenge. The refuse to set quotations according to the specification will be punished by cancellation of the MM status and fined on \$1000. The refusal is considered to be valid if MM refuses to set quotations during 5 minutes and more, unless this is not specified.

If MM violate the order of voluntary refusal from the status he is fined on \$1000. This order assumes a procedure of application including setting obligatory quotations during next ten days.

The same requirements have been already applied to the MM of the US dollar. At that time market was not so organized to require to tight measures. The Exchange Council assumes that presently MM institution is well developed. There are eleven MM on the market including 1 in the forex market, 8 on the securities market and 2 on the GS market. At present conditions, these measures will lead to more liquidity on the market.

The resolution of Directorate of the National Securities Commission (NSC) #684 dated October 13, 2000 approved new wording of the "**Securities Listing Regulation**" (the Regulation) internal normative document. The Regulation was previously approved by the meeting of KASE members holding "K", "P", "H" categories and by resolution of the Directorate of the National Securities Commission (NSC) #462 dated October 26, 1999. The amendments were also approved on the similar meeting on September 25, 2000. After present approval by NSC the wording will be **enacted on October 19, 2000**.

According to new wording of the Regulation, the issuer whose shares and bonds are including in the official list of KASE securities, category "A" must not **have dividend repayment debts and unfulfilled obligations over issued bonds**. New requirements for category "A" **demand from a bank to be a member of deposit insurance system** "Obligatory Joint Insurance Deposit Fund" CJSC.

There are new notions introduced in the Regulation: **non-financial organization** any legal entity that is not financial organization and **financial organization** - entity that renders financial services (as it is stipulated by tax legislation of the Republic of Kazakhstan) on the basis of license from government regulating body. There is no longer exception of \$5 mln (tenge equivalent) minimum level of authorized capital for financial companies whose securities is processed to be included into category "A". This exception has been previously granted to all companies having special permission of the Exchange Council and presence of proper conclusion of Listing Commission. **New wording of the Regulation states that this exemption can not be applied to the financial organizations.**

Another one new introduction is **trial period** that could be set for an issuer applying for inclusion of securities into the official list. The Exchange Council in accordance with recommendation of the Listing commission could set one-year probation period for an issuer applying for category "A". It includes listing its securities in category "B" and their consecutive transfer to "A". This decision could be based on the ground of following conditions:

- shareholders equity of the company had been formed at minimal level a less than the year before the application was made;
- company had passed reorganization procedure that significantly affected its financial statements less than the year before the application was made;
- there are considerable discrepancies between financial statements of the issuer and auditing of financial statements. The discrepancy should exist among figures that are involved in evaluation of the company on conformity to listing requirements.

Besides, above mentioned, new wording of the Regulation stipulates **special order of listing procedure** for companies that have already been listed at KASE. The list of documents required for this procedure is approved by the applicant and the Exchange separately.

The new wording of the Regulation stipulates that **suspension procedure could precede de-listing procedure**. The Exchange Board is responsible for initiation of this procedure.

There are also some several less important amendments.

By the resolution of Directorate of The National Securities Commission of the Republic of Kazakhstan (NSC) #677 dated Oct 12, new amendments and modifications to the **"General payment conditions by results of trades in securities"**. New wording was approved by the general meeting of the KASE members holding "K", "P", "H" categories on September 25, 2000. After present NSC approval it will be **enacted on Oct 19, 2000**.

The present modifications relate to the appendix forms submitted to KASE by persons who showed interest in the trades. KASE considered previous experience with Deal confirmation system when developing new forms.

INFORMATION ON THE COMPANIES

VALUT-TRANZIT BANK OJSC (Karagandy) 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 (please, the table).

Comparable ratios of VALUT-TRANZIT BANK 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 (issued)	1,000,000	1,300,000	+30.0
Authorized capital (paid)	1,000,000	1,000,000	0
Shareholders' equity	1,027,275	1,534,110	+49.3
Total assets	2,979,482	5,446,354	+82.8
Liquid assets	205,409	514,660	+150.6
Loans and deposits	1,936,060	3,862,457	+99.5
Credits granted (net)	2,525,605	4,259,650	+68.7
Income from operating activities	513,372	638,242	+24.3
General expenses	498,220	557,697	+11.9
Net income of the period	15,152	80,545	+431.6
Book value of one share, KZT	205.455	306.82	+49.3

Compared to similar period of 1999 growth took place in: **shareholders' equity** of the bank - by KZT506.8 mln, or 49.3% (additional capital growth - by KZT412.6 mln, accumulations in the funds and reserves - by KZT28.8 mln, undistributed net income of current year - by KZT65.4 mln); **assets** - by KZT2.5 bln, or 82.8% (of which loan portfolio growth - KZT1.7 bln); **liabilities** - by KZT2.0 bln, or 100.4% (including, increase in the deposits - by KZT1.6 bln, or 83.4%); **income from operating activities** - by KZT124.9 mln or 24.3%; **expenses** - by KZT59.6 mln, or 11.9%. **Net income** of VALUT-TRANZIT BANK OJSC received during 9 months of the year 2000 equaled KZT80.5 mln, which is by KZT65.4 mln, or 5.3 times more than in similar period of last year.

Significant growth in additional capital of the bank was caused by the fact that during the year 2000 it was regularly buying back its shares from the shareholders and selling them (both on an organized market and out of it). By the data of VALUT-TRANZIT BANK, in 8 months of current year total turnover of common shares equaled 1,764,648 shares, and preferred ones - 1,290,941 shares.

Following is the table that shows the dynamics of some VALUT-TRANZIT BANK OJSC indicators during the year 2000 on a quarterly basis and non-accruing sum (in mln KZT):

Indicator	I-99	II-99	Change,		
			%	%	
Client deposits	128.85	271.37	110.6	1 394.77	414.0
Income from operating activities	125.74	158.23	25.8	354.28	123.9
Net income	5.01	11.03	120.3	64.51	485.1

Common (KZ1C33291013, trade code - VTBN) and preferred (KZ1P33291018, trade code - VTBNp) shares of VALUT-TRANZIT BANK OJSC were entered into official list of the KASE securities under category "B" on May 22, 2000.

Almaty Kus OJSC (Almaty region, Iliiskii district, Chapayev) informed Kazakhstan Stock Exchange about **full repayment** of a first coupon on its bonds of the first issue (KZ2C3AF64A13, official list of securities, category "A", trade code – ALKSb) held on Oct 14, 2000. According to the conditions of Almaty Kus OJSC bonds issue, coupon was paid off at 14% APR on 30/360 time basis. The repayment was made in Kazakhstani tenges at the official rate of the National Bank of Kazakhstan by means of money transfer on clients' accounts registered in the bonds' list as of October 4, 2000. The repayment volume (considering income tax deducted at the source of payment) totaled **KZT42,780,890.00**. The funds were transferred to the bonds holders whose list was submitted to the issuer by its registrar - Reestr-Sevice LLP.

Bonds were included into official list of KASE securities on April 7, 2000. On April 25, KASE held additional floatation auction for ALKSb. The volume of additional floatation was \$340.00 Th at face value. Full yield to maturity for ALKSb buyers at the additional floatation was 15.00% APR. The rest was floated though subscription. ALKSb were admitted to trades in KASE in "Listing corporate bonds" sector on May 02.

The bonds with 1 year term to maturity are dollar denominated and serviced at the official exchange rate. Face value is \$100.0 and semiannual coupon - 14% APR. Volume of the issue \$4.5 mln. Maturity date - Apr 14, 2001. The bonds are fully redeemed together with repayment of the second coupon.

Prepared by the agency «IRBIS»

THE BONDS OF NOTC KAZTRANSOIL CJSC WERE ENTERED INTO OFFICIAL LIST OF THE KASE SECURITIES UNDER CATEGORY "A"

Special issue based on the information of NOTC KazTransOil CJSC and Kazakhstan Stock Exchange (KASE)

On October 19, 2000, by the decision of the Exchange Council **of the same day**, first issue of inscribed coupon bonds of **KazTransOil National Oil Transporting Company CJSC** were admitted into official list of KASE securities of category "A". Following national identification number and trade-code were assigned to the bonds - **KZ73LAONAA35** and **KZTOb**. The accuracy of quotations in the KASE trade system is four decimal points. The date of trades will be given later.

The market-maker status of NOTC KazTransOil CJSC bonds at the KASE was granted to Kazkommerts Securities OJSC. Minimal volume of obligatory quotations is set for the market-maker at **\$3,000** at face value (30 bonds).

BOND ISSUE INFORMATION

Date of issue registration - October 13, 2000. Issue and circulation beginning date - October 23, 2000. Placement period - three years from circulation date. Circulation period - **3 years**. Redemption date - October 23, 2003. Face value - \$100. Issue volume at face value - \$30mln (300 Th bonds). Coupon rate - 9.0%. Interest payments are made twice a year - on April 23 and October 23. The issuer's registrar is maintained by Fondovii Center CJSC (Almaty, the license #20050002 of the National Securities Commission of Kazakhstan dated December 12, 1996).

The payment procedures for the bonds are to be made at the KZT/USD official rate set by the National Bank on payment day. Interest repayments will be paid off using 360/30 time base (360 days in a year, 30 days in a month). Funds will be paid off to those entities who purchased bonds prior 30 days to payment date. Bonds redemption will be executed at face value simultaneously with repayment of the last coupon. Money will be transferred to a holder's account registered in holders-registrar prior 30 days to the payment date.

In case, if the date of coupon payment, repurchase or redemption date falls on holiday, the payment will be made on the next business day. The bonds holder does not have right to demand compensation for a such kind of delays.

The funds raised through the issue will be used to finance modernization of the company's existing facilities and introduction of new operating productions.

Kazkommerts Securities OJSC (Almaty) Halyk Bank Kazakhstan OJSC (Almaty) will be financial consultants of the KazTransOil bonds issue.

GENERAL INFORMATION ON THE ISSUER

Date of first state registration - May 14, 1997. Legal and organizational type of liability - closing joint-stock company. Ownership form - private, 100% stake is owned by the government. Juridical address: 60 Republic av., Astana 473000, Kazakhstan. Actual; Address of head office: 14, Bukeikhan street, Astana 473000, Kazakhstan. Major activities: oil transportation services including pipe-line, sea and rail-road transportation, oil products and water transportation, discharge and pumping of oil.

KazTransOil NOTC CJSC was created with the purpose to maintain economic interest of Kazakhstan in field of transportation, exports and imports of oil and oil products. It was targeted to optimize oil transportation companies management and to draw investments to develop appropriate infrastructure. One of the company's objective is to maintain unified tariff policy for all clients of trunk pipe-line network.

LICENSES OF THE ISSUER

- Government general license of the Ministry of Energy Power Resources, Industry and Trade (MPPIT) of the Republic of Kazakhstan #0001130 dated September 2, 1998. Meaning: Oil pipe-line operations.
- Government general license of the Ministry of Energy Power Resources, Industry and Trade (MPPIT) of the Republic of Kazakhstan #0001133 dated September 2, 1998. Meaning: Operations with industrial explosive and fire-risk facilities.
- Government license of the State Fire Fighting Service Department of the Emergency Agency of the Republic of Kazakhstan #0000638 dated August 1, 2000. Meaning: Assembling, tuning and engineering services of fire alarm and fire fighting equipment in Kazakhstan. Expire date - August 1, 2001.

- Government license of the Construction Activity Committee of the Republic of Kazakhstan #000852 dated Apr 03, 1998 (confirmed on May 22, 2000). Meaning: Execution of survey, design and construction-and-mounting activities in Kazakhstan and CIS countries. The license is to be confirmed annually.

KazTransOil Department for Oil Pipe-lines Operation and company's branches currently prepares the application forms to obtain other licenses from the MPPIT. The license gives right to assemble and repair high-pressure boilers, vessels and pipe-lines. Another one will permit the transmission and distribution of electric-power. One of the company's need is to obtain license from Atomic Energy Committee. This license permits activity with ionizing radiation equipment for operations over pipe-line diagnostics and welded connections using non-destructive tests.

CAPITAL, SHARES AND SHAREHOLDERS

As of July 1, 2000 the announced authorized capital totaled KZT19,406,071.0 thousand and was fully paid up. Total number of shares is 19,406,071 (only ordinary registered shares) at face value of KZT1,000.0.

A single founder and owner of the company's 100% shares is the Government of the Republic of Kazakhstan. According to the government resolution #980 dated June 17, 1997 "On the State Property and Assets Management Department of the Republic of Kazakhstan", this department was selected as the body that possesses the ownership, user and disposal rights over state property, and KazTransOil in particularly. According to the another decree of the Government "On transferring of ownership and user rights over government share holdings and state blocks of shares in companies included into government property" #659 dated May 27, 1999, the State Property And Privatization Committee of the Ministry of Finance transferred to (MPPIT) the ownership and user right over KazTransOil.

HISTORY AND BRIEF CHARACTERISTIC

The company was founded according to the government resolution #461 dated April 2, 1997. The resolution merged Uzhnefteprovod (English transcript: Southern Pipelines) and Magistralniye Nefteprovody Kazakhstana and Srednei Azii (Kazakhstan and Central Asia Trunk Pipe-lines), two republican and government companies into KazTransOil NOTC CJSC. The latter is successor of all assets and liabilities of the named entities. The entity was registered in Almaty Justice Department on May 14, 1997 as closed joint-stock company. In early 1999, the company's head office was reallocated to Astana, where it was registered in Astana Justice Department on April 20, 1999 (according to the certificate ##6636-1901-AO).

The company's personnel excluding branches amounts to 6,773 as of July 1, 2000.

The company has shares in following organizations (as of January 1, 2000): Kaspiimunaibailany OJSC (share in authorized capital - 90%; shareholders equity - KZT719,829 Th); Aktobeneftesyaz OJSC (90%, KZT127,741 th.); Transpetroleum CJSC (100%, KZT621,380 th.); Kaztransgas CJSC (100%, KZT72.5 Th); EIF Munaiimpex LLP (99%, 46,200 Th); EURO-ASIA AIR Aircompany OJSC (100%, KZT268,080 th.); Halyk Bank Kazakhstan APF CJSC (20.8%, KZT183,000 th.)

The main production activity of NOTC KazTransOil CJSC consists of oil transportation. About 80% of total crude oil produced in Kazakhstan is transported using KazTransOil pipe-line network. The company also maintain water pipe-line and oil field in the Western Kazakhstan.

There are several destination and loading points in the pipe-line system: external junctions (Atyrau-Samara pipe-line at the Western branch and Zhanazhol-Orsk at the Actobe branch), oil refining plants (ORP) - Atyrau refinery (Western branch), Pavlodar and Shymkent refineries (Eastern branch), loading rail-road terminals on pump-stations at Atyrau and Makate (Western branch), sea oil loading terminal in the Aktau sea-port.

The KazTransOil structure consist of 3 branches managing operations over trunk pipe-lines: Eastern branch - 2,574 km pipe-line (North-South direction) and 14 oil-pump stations, Aktobe branch - Zhanazhol-Orsk including 2 lines, each one is 360 km long, Western branch having the most branching network of pipe-lines (2,367 km, of which 1,232 km is unique "hot" pipe-line Uzen-Atyrau-Samara passing through heating equipment) and water pipe-line (3,087 km), 22 oil and 6 water pumping stations as well as Aktau sea-port.

As of January 1, 2000 KazTransOil operates over 5,844 km of pipe-lines (without Caspian Pipe-Line Consortium; 3,087 km of water pipe-lines without CPC), 39 oil and 6 water pumping stations, 4 loading platforms (1 in Aktau sea-port) and 2 unloading platforms, total reservoirs of 1.2 mln cubic meters capacity.

Volume of oil transportation in KazTransOil network directly depends on oil production in Kazakhstan. From 1997 to 1999, oil transportation increased by 8.2% and totaled 25.0 mln tons, proceeds from rendered services rose by 80% and totaled KZT17.7 bln, cost of services rendered increased by 15% and amounted KZT10.1 bln.

The biggest share of oil transportation falls on Western branch - 60%. The company forecasts that it will transport 27.8 mln tons of oil by the end of 2000. The receipts from services will approximately equal KZT34.4 bln. Increase in oil production expected in Kazakhstan (till 2003) could result in raise of transportation volume to 32.5 mln tons.

Net profit of KazTransOil in 1998 increased 4 times, in 1999 - 6 times and totaled KZT5.7 bln. The profits increased not only due to rise in transportation volumes and decrease in expenditures but also because of increase in transportation tariffs (beginning from March 16, 2000 - \$15 for 1 ton per 1000 km. in all branches; in 1998 in Aktubinsk branch \$3, Western - \$7.13, Eastern - \$9.6). Starting from 1998 tariffs are set in the US dollars.

Company's clients are 19 oil-gas production entities. The biggest are: Tengizchevroil JV LLP (about 35-37% of total transportation volume), Mangistaumunaigas OJSC, KAZAKHOIL NOC CJSC, Hurricane Kumkol Munai OJSC, Aktobemunaigas OJSC. KazTransOil renders services at 100% monthly prepayment. Seventy three percents of 25 mln tons of oil produced by company's clients in 1999 are transported through KazTransOil (Samara - 42%, Orsk refinery - 7%, SHNOS - 165, ANPZ OJSC - 7%, PNPZ PJSC - 3%). Rail-road and sea loading totaled 14 and 8% consequently.

MAJOR PROJECTS WITH KAZTRANSOIL PARTICIPATION

Caspian Pipe-line Consortium (CPC). Besides participation in the project, the company also maintain and technically support fixed assets of the project including main oil-pumping station in Tengiz. Preliminary capacity of the pipe-line is 28 mln tons with further increase up to 67 mln tons per year. The construction cost of first line (capacity - 28 mln tons) is \$2.2 bln per year. At capacity of 67 mln tons is \$4.5 bln. The project will be put in operation on June 30, 2001.

Atyrau-Samara pipe-line reconstruction and modernization project. The realization of the project will provide additional export capacities to Kazakhstan companies. The pipe-line increase in capacity from 12 to 15 mln tons per year will be mainly directed to European market. The project cost is \$33.6 mln. Pay-back period is 4-5 years.

Kenkiyak-Atyrau pipe-line project. The project will provide access of Aktubinsk region oil-fields to the Atyrau-Samara and CPC as well. Preliminary cost of base project (6 mln tons capacity) is \$194.1 mln at world prices.

Kumkol head oil-pumping station project. Project cost is KZT1.5 bln. Object - stability of the Kumkol-Karakoin pipe-line operation.

Pavlodar-Shymkent pipe-line reconstruction project. Reconstruction of Karakoin-Atasu segment. Object - oil transportation from Kumkol oil field to Atasu oil-loading platform. Costs - KZT11.3 mln.

Reconstruction and expansion of Aktau sea part and organization of tanker transportation. The oil (6 to 12 mln tons) will be transported to Iran and Makhachkala-Novorossiisk direction. Project cost \$25 to \$96 mln.

Western-Kazakhstan - Alashankou (China) export pipe-line construction. It will link western oil regions with oil refinery in Shymkent and Pavlodar. Initial capacity - 20 mln tons. Project cost - 20 mln tons per year.

Kazakhstan-Turkmenistan-Iran pipe-line construction will provide the most favorable access to Asian-Pacific region through Persian Gulf. Preliminary data shows that capacity of the Kazakhstan segment will equal 25 mln tons. Project cost - \$450-600 mln.

Western Kazakhstan-Baku-Jeikhan pipe-line construction. Expansion of internal and export oil-gas transportation systems of the Caspian region. Length in Kazakhstan - 659 km, Azerbaijan - 491 km, Georgia - 218 km, Turkey - 957 km. Estimations of construction capital cost - \$3.9 - \$5 bln depending on tax regime, preferences in participating countries.

Following is the brief reference to the main indicators of financial and economic activities of KazTransOil NOTC CJSC (Astana) compiled on the basis of Listing Commission conclusion of the Kazakhstan Stock Exchange (KASE). The reference is published in connection with inclusion of the company's bonds into category "A" of the officials list of KASE securities.

FINANCIAL STATEMENTS DATA SUBMITTED BY THE ISSUER

The table below was compiled by the KASE specialists and presents main financial ratios of the KazTransOil (in th. KZT, unless otherwise specified). The data compiled in accordance with the Kazakhstan Accounting Standards (KAS) on the basis of balance sheet, income and cash flow statements for 1997-1999 (except for 1997 when the company was formed) and some intermediate data for 2000.

The financial statements are not consolidated as some formal procedures still being executed. They include the issue of transferring daughter companies state blocks to the authorized capital of KazTransOil. These shareholdings will be later consolidated with KazTransOil statements.

Ratio	As of Jan.1, 1998	As of Jan.1, 1999	As of Jan.1, 2000	As of July 1, 2000
Authorized capital (paid-up)	19,202,862	19,343,214	19,406,071	19,406,071
Shareholders' equity	21,262,739	20,421,533	25,149,100	102,897,364
Book value of the assets	24,920,876	24,531,716	30,877,099	122,190,729
Net working capital	N/A	2,695,460	3,654,471	-5,931,309
Accounts receivable (net)	4,758,593	4,035,084	4,551,465	6,991,285
Total liabilities	3,658,137	4,110,183	5,727,999	19,293,365
Loans received	324,813	471,299	55,347	570,467
Accounts payable	2,957,598	2,999,852	5,085,762	18,156,216
Sales (services offered)	9,825,328	12,543,605	17,698,345	14,514,203
Net income (loss)	230,256	920,814	5,639,812	1,557,440
Return on sales (ROS), %	10.79	41.81	42.98	24.24
Return on equity (ROE), %	1.08	4.51	22.43	1.51
Return on assets (ROA), %	0.92	3.75	18.27	1.27

Four time growth in the shareholders equity from July 1, 2000 to end year of 1999 was caused by market revaluation of fixed assets made by the American Appraisal Inc on January 2000. The property related to social purpose assets, net working capital and intangible assets was excluded from valuation. The estimated property consisted of real estate including buildings and constructions (pipe-lines), machinery and equipment, and incomplete construction works. The increase of revalued property totaled: for buildings and constructions - KZT694.4 mln, machinery and equipment - KZT40.1 bln, transporting carriers - KZT44.7 bln. As of March 10, 2000 the validated market value of fixed assets (including construction in progress) estimated by American Appraisal Inc. amounted \$811.0 mln.

AUDITING REPORT DATA

The table below is compiled by KASE experts on the basis of Arthur Andersen auditor's conclusion. In this case data of KazTransOil NOTC CJSC financial statements look as follow (KZT, thousands, unless otherwise specified):

Ratio	As of Jan.1, 1998	As of Jan.1, 1999	As of Jan.1, 2000
Authorized capital (paid-up)	19,202,862	19,343,214	19,406,071
Shareholders' equity	21,263,025	20,737,029	25,149,100
Book value of the assets	24,927,125	24,532,340	30,877,099
Net working capital	3,216,820	3,880,569	4,546,459
Accounts receivable (net)	4,765,562	4,030,490	4,536,870
Total liabilities	3,664,100	3,795,311	5,727,999
Loans received	324,814	471,299	55,347
Accounts payable	1,792,200	2,347,309	4,666,742
Sales (services offered)	N/A	8,986,137	17,698,345
Net income (loss)	N/A	914,062	5,639,835
Return on sales (ROS), %	N/A	17.77	42.98
Return on equity (ROE), %	N/A	4.41	22.43
Return on assets (ROA), %	N/A	3.73	18.27

As the company was founded in May 1997 the Arthur Andersen examined only balancing figures for that year. Concluding balance for year 1997 the auditor did not confirm physical inventories for a total of KZT1.9 bln as of December 31, 1997. The auditor did not have opportunity to check it up. It noted the absence of reserves on trade liabilities and other accounts receivable, which were overdue.

According to the auditor's conclusion over the KazTransOil NOTC CJSC financial statements gives a reliable and accurate picture of the company's financial situation as of December 31, for 1997-1999 in all essential aspects including cash flow and income statements. The financial statements comply to Kazakhstan and International accounting standards.

RISKS RELATED TO THE ACTIVITIES OF THE ISSUER

Government regulation. The government holds 100% shares of the company. Company's tariffs are regulated by Price and Antimonopoly Committee of the Agency for Strategic Reforms and Planning of the Republic of Kazakhstan. On March 16, 2000 the Committee approved the company's decision to raise tariffs by 58%.

Quoting. Presently, money receipts largely depend on size of quotes Russia sets on oil and oil products transit.

Market risks. The company's operations are significantly affected by of the oil market conditions.

Technical risk. The main factor of technical risk is high degree of depreciation noted at some segments. This may badly undermine the company's efficiency and quality of the services. The main portion of pipe-line network was constructed in 70th (more than 60% of the Western branch) and 80th (Aktubinsk branch and 75% of pipe-lines in Eastern branch). Useful life of the pipe-lines is 30 years. By the end of 2000, share of pipe-lines

that have operated more than 20 years will be 34%, more than 30 years - 21%. The company annually increase investments into fixed assets. For instance, in 1999, the volume of major repairs totaled KZT2.2 bln, including repair of linear pipe-line portions - KZT1.1 bln. In first six month 2000, fixed assets major repairs totaled KZT1.3 bln. For year 2000 the planned value of such repairs is KZT3.6 bln. In 1999, the value of capital construction amounted KZT5.6 bln. Planned volume of investments for year 2000 equal KZT10.1 bln.

Caspian Pipe-line Consortium (CPC). Completion of CPC by the mid year 2001 and its launching will link Tengiz and Karachaganak oil fields with international markets. The major client of the KazTransOil Tengizchevroil JV LLP takes now 35-37% of total oil transportation volume. This loss would be compensated by launching new facilities, developing new transporting opportunities including operations on sea and real road transport. The company will also provide operating services to owners of other pipe-line systems (mainly from Russia).

Ecological risks. There are several types of ecological risks for KazTransOil. Among them: risks associated with extra-normative land occupation and its mechanical distortions incurred during construction. The same applies to water area when constructing currents and water terminals. Ecological risks associated with pipe-lines exploitation, their failures and emergencies such as fires, explosions, leakage and emission of oil, oil products and other substances into water, air, etc. Ecological risks of oil transportation using carriers include collisions of trains, tankers, their explosion due to different reasons.

At present, KazTransOil does not have provisions for risks associated with transportation. In case of emergency, the company will have to use its current funds.

In year 2000, the company signed contract with Aon Kazakhstan CJSC - the branch establishment of Aon Group limited (London). The Aon Kazakhstan will develop risk management program for KazTransOil including ownership, business, operational and ecological risks insurance. The program will be enacted in 2001.

The KazTransOil and its financial consultants have not previously conducted financial evaluation of ecological risks consequences for the company's activity.

Financial condition of the company. The shareholders equity of the KazTransOil rose from KZT25.1 bln to KZT102.9 bln due to revaluation of the company's fixed assets made by American Appraisal Inc. in March 2000. Nevertheless, these changes in the financial statements were audited. The impact of this revaluation on results of company's activity in year 2000 could be hardly assessed.

Till the end of this year, KazTransOil NOTC CJSC must pay off **\$18.2 mln** in debts for credits (only principal amount).

COMPLIANCE WITH CATEGORY "A" LISTING REQUIREMENTS

As of July 1, 2000, the shareholders' equity of KazTransOil NOTC CJSC totals KZT102,897,364 thousands or \$721,580,393 (at the official exchange rate as of July 1, 2000 - KZT142.60). The company, as an independent legal entity was founded 3 years ago. KazTransOil NOTC CJSC has independent auditor's report made by the Arthur Andersen over the balance for 1997 and financial statements for 1998-1999. According to the financial statements of the company compiled in accordance with Kazakhstan accounting standards KazTransOil NOTC CJSC has been profitable during last three years. The income for 1998-99 is confirmed by the Arthur Andersen auditor's report. Kazkommerts Securities OJSC (Almaty) takes market-makers responsibilities for quoting the of KazTransOil bonds. The company registered bonds issue of - 300,000 bonds for \$30,000,000. The register is maintained by an independent registrar - Fondovii Centr CJSC (English transcript: Stock Exchange Center). The terms of the issue do not contain norms restraining and limiting transferring (alienation) rights.

CONCLUSION OF THE KASE LISTING COMMISSION

After considering submitted documents, the Listing Commission of KASE confirms that KazTransOil National Oil Transporting Company closed joint-stock company complies with requirement set by "Securities Listing Regulation" on entering its securities into official list of KASE securities under category "A".

Prepared by the agency «IRBIS»