

**January 11 - 15, 2010**

Weekly digest on business and market related news focused on Kyrgyzstan, produced by MGN Capital's Global Research Department

## TOP STORIES

### Economic News

- Kyrgyzstan's Public External Debt Totals \$2.55B
- Contacts with Foreign Stock Exchanges to Attract Investments to Kyrgyzstan
- Kyrgyz Companies Might to List on Shanghai Stock Exchange

### Business News

- China Development Bank to Cooperate with Kyrgyzstan DF
- China Ready to Finance Internship of Kyrgyz Specialists
- Kyrgyzstan to Buy Gas from Uzbekistan at \$220 in 2010

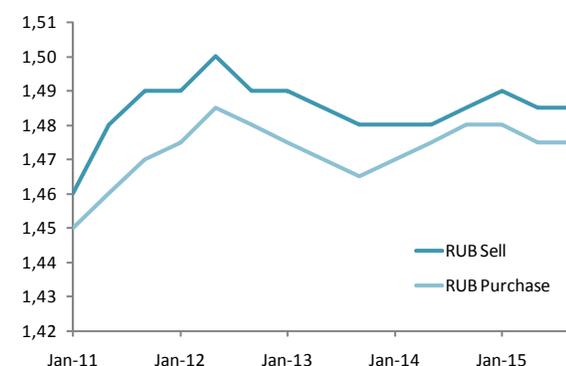
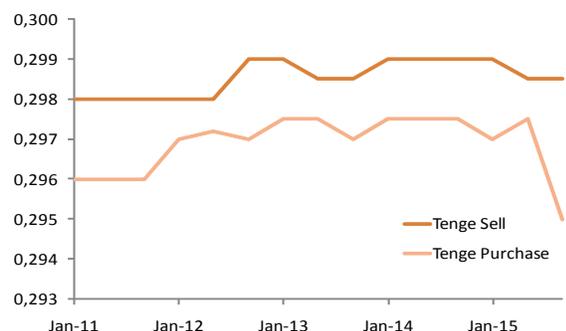
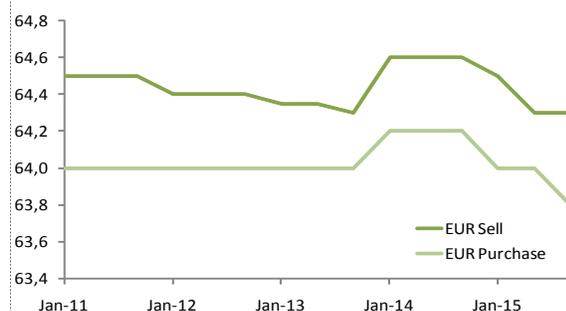
### Industry News

- Centerra Gold Reports 2009 Gold Production
- Kazakhmys Plans to Extract Copper and Gold Annually in Kyrgyzstan

### Stock Market

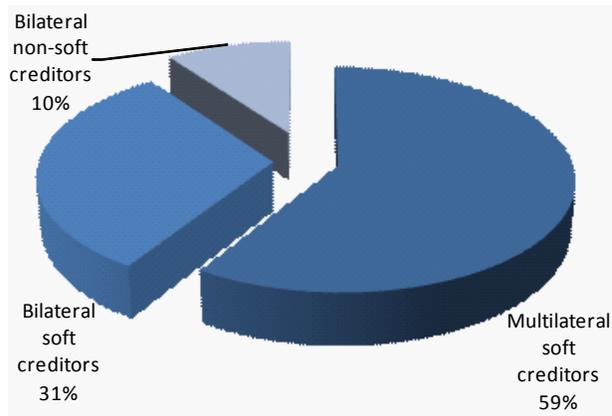
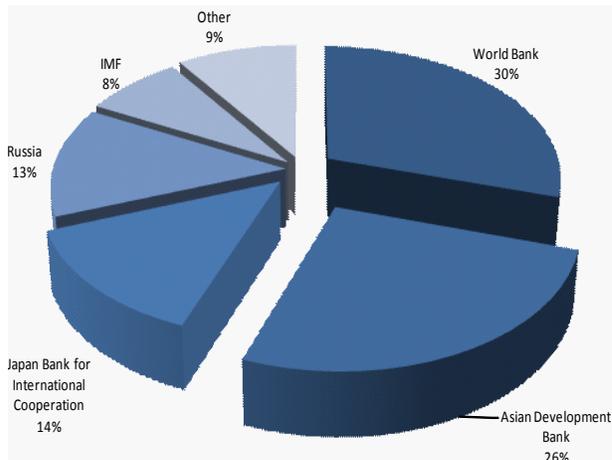
- Auctions of Government Treasury Bills

Changes in Major Currency Rates  
January 11 - 15, 2010



*Economic News*

**KYRGYZSTAN'S MAIN EXTERNAL CREDITORS**



**Kyrgyzstan's Public External Debt Totals \$2.55B**

The public external debt of the Kyrgyz Republic totaled \$2.548b as of 30 November 2009, the Kyrgyz Finance Ministry said in its press release.

Multilateral soft creditors (International Monetary Fund, Asian Development Bank, World Bank, Islamic Development Bank) constitute 59%, the bilateral soft creditors (Japan, Russia, China and others) constitute 31%, bilateral non-soft creditors (Russia and Turkey) constitute 10% in the structure of the public external debt.

The size of the public external debt grew 2% primarily due to multilateral and bilateral soft credits.

**Contacts with Foreign Stock Exchanges to Attract Investments to Kyrgyzstan**

Establishment of close contacts with large foreign stock exchanges could contribute to attracting of foreign investments into Kyrgyz companies, Roman Muraviev, Chairman of board of directors of the Central Asian Stock Exchange (CASE) said.

Cooperation agreements between CASE and the Shanghai Stock Exchange, in particular, in cross listing and experience exchange, have been reportedly reached on January 13 as a part of a working trip of Maksim Bakiev, Chief of the Central Development, Investments and Innovations Agency to China.

“Meeting with official representatives of the Shanghai Stock Exchange is an important step to implementation of projects on placing Kyrgyz companies’ securities on the world trading platforms. The meeting resulted in agreements on drawing up of common rules and procedures to prepare Kyrgyz issuers for listing on the Shanghai platform,” Muraviev said. The sides have also coordinated a draft cooperation memorandum to be signed in the nearest future.

**Kyrgyz Companies to List on Shanghai Stock Exchange**

Kyrgyz companies will be possibly included in listing of the Shanghai Stock Exchange, Bakyt Zakirov Chief of the State Service on Regulation and Control over the Financial Market told.

As to Zakirov, the Shanghai Stock Exchange is the world’s second largest in terms of securities turnover. Kyrgyz side is interested in exchange of experience with this trading platform. In particular, agreements between the Shanghai Stock Exchange and the Central Asian Stock Exchange (CASE) about creation of an incubator for Kyrgyz companies have been already reached.

In future, it is planned to sign a separate agreement on including Kyrgyz companies in listing of the Shanghai Stock Exchange and Chinese enterprises - in CASE listing.

**Business News**



*Head of the CADII, Maksim Bakiev, with Vice Premier of China, Zhang Dejiang*

**China Development Bank to Cooperate with Kyrgyzstan DF**

The Kyrgyz delegation led by the Head of the Central Agency for Development, Investments and Innovations Maxim Bakiev on January 10 left for China on three-day visit. The delegation is comprised of State Foreign Minister Kadyrbek Sarbaev, Finance Minister Marat Sultanov, Energy Minister Ilias Davydov and other officials.

Kyrgyzstan is interested in involvement of China Development Bank in implementation of projects together with Kyrgyzstan Development Fund, said Maxim Bakiev, Head of the CADII, at the meeting with China Development Bank President Jiang Chaoliang. Jiang Chaoliang in turn said China Development Bank is interested in cooperation with Kyrgyzstan Development Fund. Crediting of various projects could be one of areas of cooperation, he added and confirmed readiness of China Development Bank in provision of multi-faceted assistance in exchange of experience and specialists.

**China Ready to Finance Internship of Kyrgyz Specialists**

Kyrgyzstan is interested in study of Chinese experience in development of economy, said Maxim Bakiev, Head of the Central Agency for Development, Investments and Innovations, at the meeting with Chinese Vice Minister of Commerce Chen Jian.

Maxim Bakiev said Kyrgyzstan is interested in sharing experience with China and help in creation of a successful economic model of the country's development. Vice Minister of Commerce Chen Jian said China is ready to provide help in that. Particularly, China may finance internship of specialists from different sectors of economy. He proposed that Kyrgyzstan would write a studies plan for specialists from sectors vital for the country.

Then the Vice Minister of Commerce said China attaches a great importance to construction of the railway from China to Uzbekistan through Kyrgyzstan. "This project is very important for development of Kyrgyzstan's economy. For China, construction of this railway is an important step to access Europe. In case construction technical standards have been resolved successfully, then Turkey and Iran may be also willing to join this project," the Chinese Vice Minister of Commerce said.

**Kyrgyzstan to Buy Gas from Uzbekistan at \$220 in 2010**

Kyrgyzstan will buy natural gas from Uzbekistan at \$220 per 1 000 cubic meters in 2010. This information came from the meeting of President Kurmanbek Bakiev with Prime Minister Daniar Usenov today.

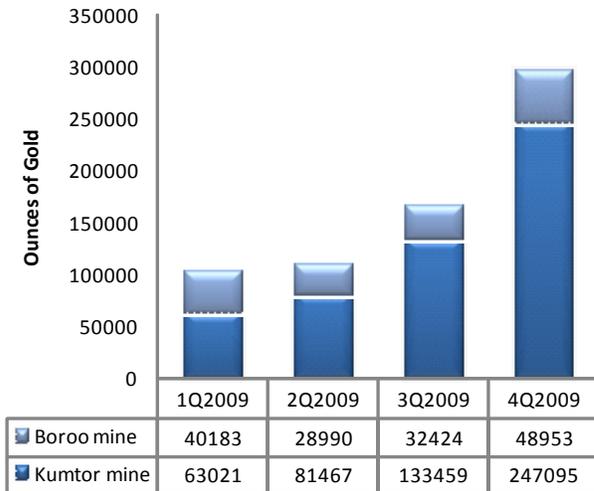
According to the agreements reached with Uzbekistan, since January 2010 natural gas will be supplied by Uzbekistan to Kyrgyzstan without interruption at \$220 for one 000 cubic meters.

In 2009, Kyrgyzstan purchased gas from Uzbekistan at \$240. Kyrgyzstan will buy 250m cubic meters of gas in 2010, a source in the Kyrgyz gas company said.

<b>Kyrgyz Prime Minister Makes Several Appointments</b>	
Taalaibek Masabirov	Vice Chairman of the State Customs Service
Dyikanbai Kenjebaev	Deputy Minister of Agriculture, Water Resources and Processing Industry
Kubat Kaseinov	Deputy Minister of Agriculture, Water Resources and Processing Industry
Dmitry Fedorov	Vice Chairman of the State Customs Service
Bakir Jolchiev	Deputy Ministers of Emergency Situations
Mukambet Kasymaliev	Deputy Ministers of Emergency Situations
Abdualim Nishanov	Deputy Finance Minister
Chinara Davletkeldieva	Vice Chair of the State Service for Financial Market Regulation and Supervision
Baktybek Jekshenov	Stats Secretary of the State Social Security Agency

*Industry News*

**CENTERRA 2009 GOLD PRODUCTION**



**Centerra Gold Reports 2009 Gold Production**

Centerra Gold Inc. on Monday announced that its fourth quarter gold production was 296,048 ounces resulting in 2009 consolidated gold production of 675,592 ounces. In 2009, the Kumtor mine, located in the Kyrgyz Republic, produced a total of 525,042 ounces of gold. In the fourth quarter, Kumtor set a new quarterly production record of 247,095 ounces of gold poured.

At year-end, the Company's cash balances stood at approximately \$320m reflecting the higher gold production achieved and higher gold prices realized in the fourth quarter. Cash balances at the end of the third quarter were approximately \$163m.

Centerra's 2010 consolidated gold production is forecast to be in the 640,000 to 700,000 ounce range. The Kumtor mine is expected to produce between 520,000 to 560,000 ounces in 2010, which excludes any production from the nearby Sarytor deposit, which will be mined in 2012. On a quarterly break-down Kumtor's 2010 gold production profile will be somewhat similar to 2009, except that during the first quarter higher grade material will be processed as a result of the high-grade stockpile established in the fourth quarter of 2009. The planned mining sequence for the year has approximately 28% of gold production being recovered in the first quarter and 43% in the fourth quarter. The second and third quarters of 2010 will have reduced production partially due to the anticipated change of the ball mill ring gear at the end of second quarter and replacement of the SAG mill liner in the third quarter at the Kumtor mill.

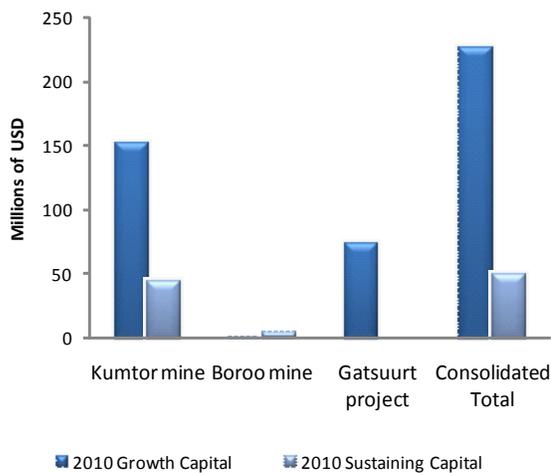
**Kazakhmys Plans to Extract Copper and Gold Annually in Kyrgyzstan**

Kazakhmys PLC announced about move into development of Bozymchak gold and copper field in southern Ala-Buka rayon of Kyrgyzstan.

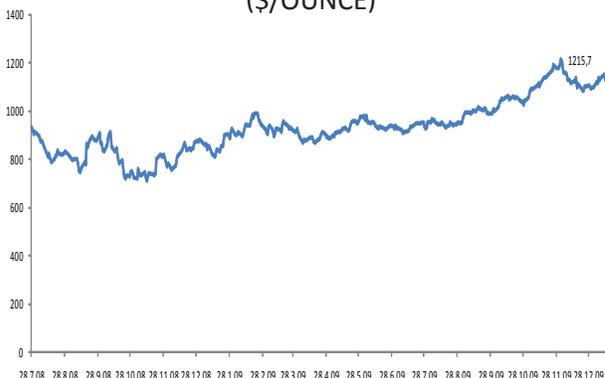
The project will be financed for \$100m. On the eve of the Bozymchak development, Kazakhmys PLC signed agreement with the Sovereign Wealth Fund Samruk-Kazyna and China Development Bank on financing package, which will be partially spent for Bozymchak exploration. The pit-based development will be used at first. 16m tons of ore are due to be extracted within 17 years.

Construction of the concentrator will be completed by the fourth quarter of 2010. By the end of 2011, the treatment plant is expected to produce 33 000 tons of concentrate annually. The planned annual output of concentrate will be 7 000 tons of copper and around 30 000 troy ounces of gold. The group is the copper producer, which has 20 mines, 10 concentrators and 2 smelters.

**CENTERRA 2010 CAPITAL EXPENDITURES**

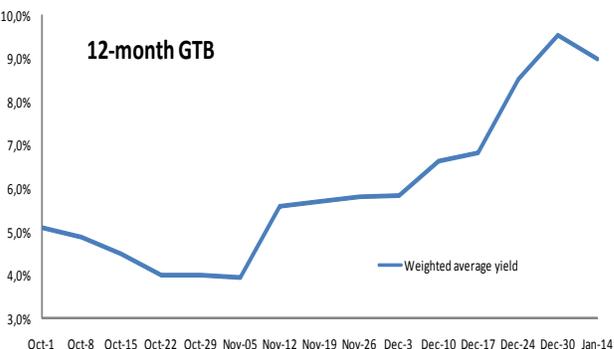
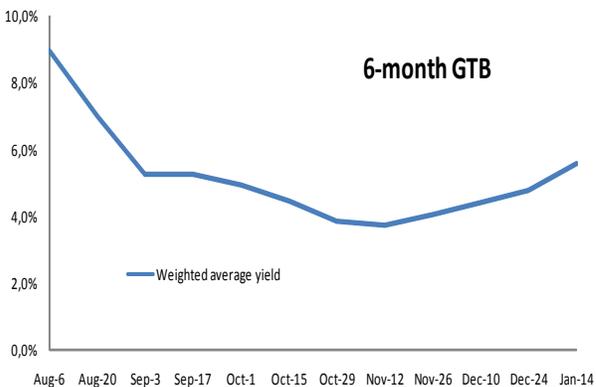
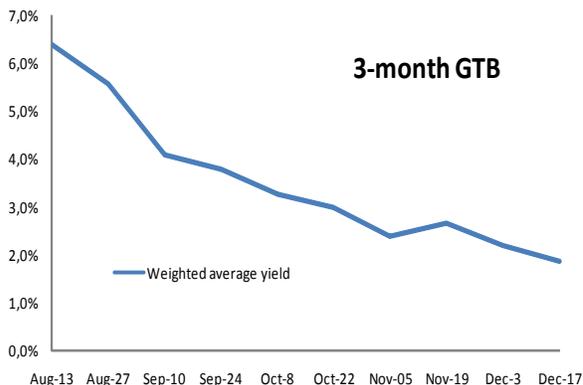


**GOLD PRICE (\$/OUNCE)**



## Stock Market

CHANGE IN WEIGHTED AVERAGE RETURN ON GTBs  
January 11 - 15, 2010



### Auctions of Government Treasury Bills

There were no sales of 3-month GTBs for the reporting period (January 11-15). On December 17, 2009, 25mln KGS worth of 3-month maturity GTBs were put up for sale. Demand reached 106.69mln KGS. Weighted average return on 3-month GTBs amounted to 1.87%.

Weighted average return on 6-month GTBs at the close of the last trading on January 14, 2009 amounted to 5.57%, which is 0.81% points higher than the last sale on December 24. 30mln KGS worth of 6-month maturity GTBs were put up for sale on. The demand reached 33.88mln KGS.

With regards to 12-month GTBs, their sales reached 60mln KGS, demand amounted to 186.18mln KGS. Weighted average return on 12-month GTBs amounted to 8.99% which is 0.56% points lower than the last sale week before.

Type of securities	Date	Demand ('000 KGS)	Sale ('000 KGS)	Min yield	Max yield	Weighted average yield
3-month GTB	Nov-05	91 790	25 000	2,31%	3,23%	2,39%
	Nov-19	54 140	25 000	2,19%	2,99%	2,67%
	Dec-3	155 660	25 000	1,99%	2,31%	2,19%
	<b>Dec-17</b>	<b>106 690</b>	<b>25 000</b>	<b>1,79%</b>	<b>1,91%</b>	<b>1,87%</b>
6-month GTB	Nov-26	42 422	30 000	3,50%	5,01%	4,04%
	Dec-10	71 130	30 000	3,61%	5,01%	4,41%
	Dec-24	87 038	30 000	2,99%	5,20%	4,76%
	<b>Jan-14</b>	<b>33 880</b>	<b>30 000</b>	<b>4,49%</b>	<b>6,60%</b>	<b>5,57%</b>
12-month GTB	Nov-12	9 250	9 250	3,94%	6,00%	5,59%
	Nov-19	63 620	60 000	4,00%	7,00%	5,70%
	Nov-26	70 890	60 000	4,00%	6,50%	5,82%
	Dec-3	79 310	60 000	4,00%	7,00%	5,84%
	Dec-10	72 700	60 000	4,50%	7,00%	6,63%
	Dec-17	75 190	60 000	4,51%	8,50%	6,82%
	Dec-24	55 900	55 900	4,50%	15,00%	8,53%
	Dec-30	120 360	60 000	8,50%	20,00%	9,55%
	<b>Jan-14</b>	<b>186 180</b>	<b>60 000</b>	<b>8,01%</b>	<b>9,29%</b>	<b>8,99%</b>

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**MGN Research**

The MGN Research team provides support to both the Corporate Finance and Asset Management divisions. The chief task of the research department is to provide analysis of publicly available information from the global debt and equity markets to support internal investment and management decisions. Additionally, the team routinely provides clients with insightful and cutting-edge research about investment opportunities in the Central Asian Region.

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