



Major News Headlines

Economy:

A favorable forecast for Uzbekistan's economy	2
Georgian Government Hopes Unemployment in 2009 will Increase only 0.25%	2
According to World Bank forecasts the real GDP in Azerbaijan will growth for 10.4%	2
Turkmenistan intends to participate in Nabucco project	

Financial Markets:

Capitalization as instrument to strengthen financial stability of corporations	3
Azerbaijan's real estate market hit by Global financial crisis	3
Eurasian Financial and Industrial Company purchased 100 % of shares Bailyk Asset Management	3

Company & Industry:

Highlights of insurance market of Uzbekistan for 2008	4
MagtiCom's Contribution to National Economy US\$ 424.2 mln in 2008	4
Kazakhstan increased the amount of extraction of uranium in 2008 by 28 %	4
In Kazakhstan volume of crude oil processing grew by 11.3% in 2008	4

Major Economic and Financial Indicators

CURRENCY RATES (January 06, 2009)			
	US\$	EUR	RUB
UZS	1394.9	2003.22	47.46
UZS (weekly change, %)	0.14 ▲	2.29 ▼	2.31 ▼
KZT	120.95	162.34	4.15
KZT (weekly change, %)	0.21 ▲	4.06 ▼	1.42 ▼

Source: Central Bank of Uzbekistan, National Bank of Kazakhstan

COMMODITY PRICES (January 09, 2009)		
	Price (US\$)	Bi-Weekly change (%)
WHEAT FUTURE (CBT) (bu)	621.00	6.65 ▲
CORN FUTURE (bu)	413.5	3.89 ▲
NATURAL GAS FUTR (MMBtu)	5.568	4.90 ▼
BRENT CRUDE OIL FUTR (bbl)	45.06	20.73 ▲
GOLD 100 OZ FUTR	853.8	1.00 ▲
COTTON NO.2 FUTR (lb)	50.46	8.84 ▲

Source: Bloomberg

ECONOMIC INDICATORS (9 months 2008)		
	Uzbekistan	Kazakhstan
GDP (US\$, bln)	18.6	96.7
GDP (% , y-o-y)	9.4	3.9
Agricultural output (US\$, bln)	5.78	9.42
Industrial output (% , y-o-y)	12.4	2.9
Foreign Trade Turn-over (US\$, bln)	15.7	84.2
Export (US\$, bln)	10.1	56.1
Import (US\$, bln)	5.6	28.1
Inflation (%)	4.5	8.8
Population (mln)	27.4	15.7

Source: State Statistics Committee of the Republic of Uzbekistan, State Statistics Committee of Kazakhstan



Economy

Uzbekistan joined the IMF on September 21, 1992, 2 months after its independence.

Uzbekistan's quota in the IMF amounts to SDR 275.6 million (about US\$374 million) or 0.13 percent of total quota. Uzbekistan's voting power in the IMF is 3,006 votes or 0.14 percent of total.

Georgian economy had difficult period in 2008 because of both financial crisis and political situation in the region.

Foreign direct investments decreased significantly in the 3rd quarter of 2008 and made up US\$150.23 mln.

Exchange rate of GEL to US\$ increased from 1.44 GEL in January 2008 to 1.65 in January 2009.

A favorable forecast for Uzbekistan's economy

A joint statement issued Dec. 25 by the Uzbek government, the Central Bank, and the International Monetary Fund (IMF) said Uzbekistan's economy "will probably not suffer significantly in 2009 from restricted credit or a sharp drop in capital flow" since for all intents and purposes it is not integrated with the financial markets of developed countries.

An IMF mission to Tashkent earlier last month reached this conclusion after it examined recent changes in the economy and finances in 2008 and evaluated the outlook for this year.

"Real GDP growth in 2008 according to official statistics was 9 percent; the country has an external current account and fiscal surplus, foreign exchange

reserves continue to grow, and the banking system is stable. Although inflation was controlled, it remains high," the IMF said.

Factors that might hurt the economy in 2009 include a drop in prices for commodities which are Uzbekistan's primary exports.

Nonetheless, given the sweeping economic policy aimed at stimulating domestic demand, the appropriate expansive tax and budget policy, and the prudent monetary and financial policy, the IMF mission anticipated favorable prospects for economic growth in 2009.

The IMF mission recommended that Uzbek authorities not react to the global crisis by increasing

protectionist measures or currency restrictions.

It also supported Tashkent's efforts to build confidence in the banking system and welcomed its intention to make any increases in the state share in bank holdings and any expansion of intervention in banking activities temporary measures.

Since Uzbekistan became member of the organization, the IMF has provided the country with technical assistance in a number of areas, including public expenditure management, tax, and customs, monetary accounting system, monetary policy/central bank organization, and the statistical area.

Georgian Government Hopes Unemployment in 2009 will Increase only 0.25%

The unemployment level in Georgia in 2009 will be maintained at 14%, Georgian Business Consulting reported. The government plans to do that by encouraging the country's economy through the injection of US\$1.32 bln, Finance Minister Nika Gilauri said.

In 2006-2008 the level of unemployment in the country was 13-14%, while in 2008 rate reached 13.75%.

The consumer basket per capita in Georgia in 2008 is likely to be defined at US\$68.7, Gilauri said. The accurate data will be available by the end of 2009.

In 2007, the consumer basket per capita was US\$63.25, while for a two-member household - US\$100 in current prices.

According to World Bank forecasts the real GDP in Azerbaijan will grow for 10.4%

World Bank's report on Global Economic Prospects 2009 says that this year growth of real gross domestic product in Azerbaijan will be 10.4% and in 2010 decline to 7.8%. Forecast for 2008 was 17.7%.

The World Bank expects that Azerbaijan will manage to keep its world leading position on economic growth pace amid global economic crisis.

The net surplus of current account of payment balance to GDP in Azerbaijan is predicted to be 30.7% in 2009 and 28.4% in 2010. WB also forecast that world economy growth in 2009 will make only 0.9% with rise up to 3% in 2010. In Europe and Central Asia, economic growth in 2009 is predicted to be 2.7% with growth of 5% in 2010.

Turkmenistan intends to participate in Nabucco project

The head of Germany's second largest electricity and gas company, RWE AG, hailed Turkmenistan's "promising" market and expressed a readiness for "constructive interaction in the energy sphere" during a visit to Ashgabat. This visit is raising speculation about Turkmen intentions to participate in the long-planned trans-Caspian and Nabucco pipeline projects.

On January 7, 2008 the German executive, Jurgen Grossman mentioned that German companies had a "deep interest in giving greater scope" to working in Turkmenistan.

Turkmen energy extracted and shipped across the Caspian could then feed into an existing pipeline network originating in Azerbaijan and travel across the South Caucasus to Turkey.



Financial Markets

The largest volume of floats for the 9 months of 2008 belonged to the following ten companies:

- General Motors O'zbekiston
- OzQishloqXojalikMash-Lizing
- Kapital Sugurta
- Shodlik Group
- Alfa Invest
- Zamon Plus Sarmoya
- ALSKOM JV
- UzSalaman JV
- Kashtex
- Osiyo Temir Yollari Sug'urta Kompaniyasi

The real estate market of Azerbaijan, which is among the most developing and fast growing economic sectors, was also suffered from global financial crisis.

Bailyk Asset Management was established in 1999 in order to create new pension system in Kazakhshtan. As of June 2008, the company has more than US\$775 mln. assets in management.

Capitalization as instrument to strengthen financial stability of corporations

In international practice, the paid-in capital of a corporation is one of the main financial indicators reflecting the attractiveness of the company as an object of investment.

Corporations are public companies interacting not only with their counteragents, but also with a great number of shareholders. That is why higher standards in terms of financial stability are applied to these companies compared to others.

Some major changes took place in stock market last year with the adoption of the Law of the Republic of Uzbekistan "On the securities market", and the Law "On introduction of amendments and addenda to the Law of the Republic of Uzbekistan "On corporations and protection of shareholders' rights."

The introduction of changes to the legislation is mainly ex-

plained by the gradual development of the national stock market, and constant shifting of the standards set in this market closer to international standards, which, in the end, should assist the integration of the national stock market of Uzbekistan with the international market.

It is worth mentioning that at this stage of development of the securities market of Uzbekistan the main players in this market are the institutions of the financial sector, particularly, commercial banks.

The increase of the shareholders' capital of commercial banks provides an opportunity to grow the assets available for lending, and attracted capital may be directed into the investment processes, which would allow scaling up domestic production.

In light of this, a new procedure according to which in IPO and public placement of shares of commercial banks, with an exception for private banks, at least 25% of volume of the floated shares are to be officially listed at stock exchange and circulated with publication of regular stock quotes.

It is also important that this year the level of capitalization of corporations in different sectors of economy has grown substantially. Thus, the total paid-in capital of corporations made up US\$3.1 bln during the nine months of 2008. This indicator amounted US\$2.3 bln in 2007.

The total paid-in capital of 10 big companies made up US\$270 mln at the end of the third quarter of 2008 (against US\$24.5 mln in 2007).

Azerbaijan's real estate market hit by Global financial crisis

The state service of real estate registration announced that volumes of flats sales in the country are declining significantly from quarter to quarter. According to head of the service A. Garashev last year the whole immovable property in the country has dropped in price by 10-15%.

Chairman of the National Bank of Azerbaijan Elman Rustamov noted that this decline is a matter of concerns along with the reduction in volumes of sales of cars and decline of production in the sphere of steel industry.

Furthermore, some economists pointed out that in reality against the quite significant drop in prices on building materials, the prices on flats do not fall on the markets of the country. Commenting on this topic while speaking to Echo, chief executive of the public associa-

tion "Participants of the real estate market" Nusret Ibrahimov noted that prices are gradually changing through unnoticeably.

According to his word, "Within December, real estate prices have dropped by 4.1% in average, while the cost of building materials has dropped 4.2%. These are average figures, which take into account the prices on all used building materials and the flats on the secondary real estate market".

Drop in price in real estate sector starts in 3-4 months. It occurs because the terms of production of building materials are much shorter than the terms of construction of a square residential meter. Therefore, the drop in prices on building materials occurs faster than on residential fund.

Yet, it is unclear how vulnerable will the drop in price on houses and flats be for those consum-

ers, who need to purchase a residence. This is an issue which raises greatest concern of the majority of the population.

Eurasian Financial and Industrial Company purchased 100 % of shares Bailyk Asset Management

JSC Company Eurasian Bank informed on sale to the Eurasian Financial and Industrial Company of all simple shares of its affiliated structure belonging to the bank - the organization carrying out investment management of pension assets Bailyk Asset Management, KASE informs.

"On December, 29th, 2008 JSC Eurasian Bank sold simple shares of JSC Company belonging to it - Bailyk Asset Management (Almaty) at the rate of 100 % of total number of the shares of JSC Eurasian Financial and Industrial Company (Almaty)," KASE informs.



Company & Industry

On 21 April 2008 the President of the Republic of Uzbekistan Islam Karimov promulgated the Law "On mandatory insurance of civil liability of vehicle owners" passed by the legislative Chamber on 21 February and ratified by the Senate on 27 March 2008.

The mobile communications company **MagtiCom Ltd** was commercially launched in September 1997. At present the company is owned by Telcell Wireless LLC and ITC LLC. MagtiCom network covers over 97% of the populated territory of Georgia. According to MagtiCom, the WiMAX network will cover all of Georgia's big cities and regional centers by the end of 2009.

Highlights of insurance market of Uzbekistan for 2008

Transinsurance Plus Company's equity capital raised to US\$1 million

In the very beginning of the past year Transinsurance Plus Company raised its equity to US\$1 million. The increase of the equity capital was a part of the company's strategic development plan. The action was also one of the steps in the direction of stable development and expansion of company's presence in the insurance market, improvement of its competitive position, increase of the retention ratio and strengthening of its financial stability.

Alliance Insurance LLC registered in Uzbekistan

A new insurance agency set up in the form of a limited liability company, Alliance Insurance entered the market for insurance services of the Republic of Uzbekistan. On 16 January 2008 the Ministry of Finance issued the company a license

No. 00084 to 17 classes. The company is a subsidiary of the Alp Jamol Bank and formed with an equity capital of US\$1 million.

IShONCh integrates complex mortgage insurance

In order to provide the guarantee of return of soft long-term loans extended as a part of the development of mortgage lending, the IShONCh Interbank Insurance Company launched the "complex mortgage insurance" product in April.

ALSKOM' network of offices covers all regions of the country

In March ALSKOM Insurance Company opened offices in all regions of the country and the Republic of Karakalpakstan. The company strategy in terms of the development of regional network was carried out gradually. The expansion of the regional network allowed the company not only to attract new potential clients in all regions of

the country, but also to actively develop its activity on working with individuals.

Legislative Chamber passes law on mandatory insurance of auto-civil liability

In February, the Legislative Chamber of Oliy Majlis (parliament) of Uzbekistan passed the Law of the Republic of Uzbekistan "On mandatory insurance of civil liability of vehicle owners" in the second reading.

New insurance company opens in Uzbekistan market

On 30 April the Ministry of Finance of the Republic of Uzbekistan issued a license to the Finans Sugurta Limited Liability Company rendering it a permission to provide voluntary and mandatory insurance services on 17 classes of general (non-life) insurance. Finans Sugurta Insurance Company was set up with an equity capital of US\$1 million.

MagtiCom's Contribution to National Economy US\$ 424.2 mln in 2008

MagtiCom has invested US\$ 424.2 mln in the Georgian economy throughout its existence as of December 15, 2008 reported Georgian Business Week.

MagtiCom is presented by three brands on the market - Magti, Bali and Magti FIX. Currently the company has 1.9 mln subscribers.

MagtiCom offers services based on WAP (2001) and GPRS (2002) technologies. The company has offered 3G services since 2006.

In 2007 MagtiCom won a tender announced by the government on setting up a united governmental telecommunications network. The company completed the first stage of the pro-

ject in November 2008 ahead of schedule and connected over 400 bodies to the government network.

Kazakhstan increased the amount of extraction of uranium in 2008 by 28 %

In 2008 total amount of extraction of uranium increased by 28 % comparing to 2007, the government of Kazakhstan reported officially according to Kazakhstan Today agency.

"Total amount of extraction of uranium by the enterprises of JSC National Nuclear Company Kazatomprom for 2008 will total 8500.5 tons, or 128 % as compared to 2007," the government report states.

Total amount of manufacture of uranium oxide will reach 8310 tons. Growth, as compared to 2007, will make 33 %.

In Kazakhstan volume of crude oil processing grew by 11.3% in 2008

Kazakhstan Today reported that volume of processing of crude oil, including mini oil refinery factory, totaled 13,394 tons (111.3%) in 2008 in Kazakhstan referring the government report for 2008, published in officially.

The manufacture of mineral oil has totaled: gasoline - 2,860.1 thousand tons (108.9 %), avia kerosene - 355.7 thousand tons (137.4 %), diesel fuel - 3,947.8 thousand tons (100.7 %), and black oil - 2,690.1 thousand tons (104.5%).

"Export of oil in Kazakhstan, according to the operative data of 2008, will total 62,403 thousand tons (102.8 %)," the report states.

Ansher Capital is the leading investment banking company in Central Asia. The Company offers full-fledged investment banking and advisory services to both international investors and the companies in Central Asia. Ansher Capital represents major foreign investors in Central Asia and assists in implementation of their strategic acquisitions and investment projects in the country. The Company advises key government agencies and leading Central Asian enterprises in areas of privatization, attracting foreign investment and raising capital in international and domestic capital markets.“

Contacts	
<p>Akmal Mirsadikov Deputy General Director, Ansher Capital akmal.mirsadikov@ansherholding.com</p>	<p>Nodir Egamberdiev Director, Research & Analysis nodir.egamberdiev@ansherholding.com</p>
<p>Ilhom Isomitdinov Analyst - Banking, Agriculture & Food Processing ilhom.isomitdinov@ansherholding.com</p>	<p>Toshtemir Haydarov Financial Analyst, Research & Analysis toshtemir.haydarov@ansherholding.com</p>
<p>Hushnubek Yulchiev Financial Analyst, Research & Analysis hushnubek.yulchiev@ansherholding.com</p>	<p>Azizbek Rakhimov Financial Analyst, Research & Analysis azizbek.rakhimov@ansherholding.com</p>

Disclaimer

This review is made for information purposes only, and does not constitute an offer, solicitation of an offer to purchase, hold, sell, invest or make any other financial decision. In making decisions, investors may rely on their own examinations of the parties and risks involved. Information contained in this review and not related to financial standing of Ansher Capital is obtained from Business Information portal Uzreport, Kazakhstan National Information Agency Kazinform, Uzbekistan Stock Exchange, Kazakhstan Stock Exchange and other sources believed to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors such information provided ‘as is” without warranty of any kind and Ansher Capital, in particular, make no representation or warranty, express or implied, as to accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances, Ansher Capital have any liability to any person or entity (-ies) for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligible or otherwise) or other circumstances or contingency within or outside the control of any of their directors, managements, officers, employees, or agents in connection with compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, loss profits) even if Ansher Capital is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. This report has been prepared by the correspondent of Auerbach Grayson & Company Incorporated named above on the date listed above. We are distributing the report in the U.S. and accept responsibility for its content subject to the terms as set within the report. Any U.S. person receiving this report and wishing to effect transactions in any security discussed herein should do so only with a representative of Auerbach Grayson & Company Incorporated. Additional information on recommended securities is available on request.