



Major News Headlines

Economy:

Review of ICT development in Uzbekistan published	2
Absence of the state investment program impedes investments in Azerbaijan's economy	2
GDP in CIS countries in 11 months of 2008 grown by 6 %	2

Financial Markets:

Consolidated authorized capital of fund Samruk-Kazyna reaches US\$29 billion	3
Bank of Azerbaijan declined to sell its shares to France's Societe Generale	3
Azerbaijan posts 53% rise in official currency reserves in 2008	3

Company & Industry:

Georgian ISP Caucasus sees strong 2009 revenue growth	4
Natural gas production on rise in Uzbekistan	4
KazMunaiGas Buys Majority Stake in Kazakh Oil Firm	4

Major Economic and Financial Indicators

CURRENCY RATES (January 13, 2009)			
	US\$	EUR	RUB
UZS	1396.12	1949.4	45.72
UZS (weekly change, %)	0.08 ▲	2.68 ▼	3.66 ▼
KZT	121.37	159.84	3.77
KZT (weekly change, %)	0.35 ▲	1.54 ▼	9.15 ▼

Source: Central Bank of Uzbekistan, National Bank of Kazakhstan

COMMODITY PRICES (January 16, 2009)		
	Price (US\$)	Bi-Weekly change (%)
WHEAT FUTURE (CBT) (bu)	575.00	7.41 ▼
CORN FUTURE (bu)	372.5	9.91 ▼
NATURAL GAS FUTR (MMBtu)	4.876	12.43 ▼
BRENT CRUDE OIL FUTR (bbl)	48.12	6.79 ▲
GOLD 100 OZ FUTR	823.1	3.59 ▼
COTTON NO.2 FUTR (lb)	48.05	4.77 ▼

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

As of 1 January 2008, local network of Uzbekistan had more than 2,000 ATs (Automatic Telephone Stations) with total capacity 2.08 million numbers. Share of digital ones was 82.3%, and as of 1 September 2008 – 86.1%.

President of Azerbaijan Ilham Aliyev charged the Cabinet of Ministers jointly with the Ministries of Economic Development and Finance to confirm distribution of the state capital investments in 2009.

Manufacture of industrial products in the CIS countries increased by 5%, volume of transportation of cargoes of transport enterprises (without taking into account pipelines) increased by 3% in 2008.

Review of ICT development in Uzbekistan published

Review of information and communication technologies development in Uzbekistan for 2006-2008 is published within the framework of the UNDP ICT Policy project.

The Review provides assessment of various factors impacting ICT development, as well as identifies development trends in the ICT area.

The Review examines ICT development indicators for last two years and provides recommendations in following sections: information infrastructure, ICT and population, ICT and businesses, E-government, E-commerce, E-healthcare, E-education, ICT sector, and information security.

Review shows positive trend in development of ICT in Uzbekistan, including in E-government

and E-Commerce, use of Internet and information security.

Mobile communication services provided by five operators have been rapidly developing during the last period. In September 2008 the number of mobile subscribers in Uzbekistan exceeded 10 mln. and up to the end of year this index exceeded 12 million. Based on evaluations of foreign experts Uzbekistan for second year is in the top-10 list of countries with the highest "mobile communication development index", has and offered tariffs are of the lowest in the world.

Almost all mobile companies started activities on development of 3G networks in Uzbekistan.

Considerable part of review covers issues on Internet devel-

opment and expansion. So, capacity of international channels that provide connection to Internet became 362 Mbps as of 1 January 2008, and at the beginning of 2002 it was only 8.5 Mbps. By the end of first half year of 2008 capacity has been increased up to 511 Mbps, which resulted in considerable increase of subscribers of leading Internet service providers of Uzbekistan.

Today benefits and advantages of use of information and communication technologies are becoming ever more evident, and ICT is regarded as the powerful instrument creating new opportunities for social and economic development.

Absence of the state investment programme and SOFAZ budget impede investments in Azerbaijan's economy

The process of state investments in Azerbaijan's economy came to a standstill in early 2009. According to governmental sources that comparative standstill of the state capital investments is technical. "The process will be activated when SOFAZ budget and the state capital investments in the Law on State Budget 2009 are determined," the source said.

Country's state budget investment expenditures 2009 estimated at US\$ 5,9 mln according to the expected exchange rate of AZN 0.8 per US\$ will make the basis of investments in the country's economy in 2009.

The Law on State Budget 2009 indicates that the state budget investment expenditures are expected to reach US\$ 5.9 bln versus US\$ 5.4 bln as per clarified budget 2008. At the same time overall investments in Azerbaijan's economy in 2009 are estimated at US\$10.5 bln with domestic investments of US\$ 8.1bln and foreign investments – US\$ 2,4 bln. Thus, the state budget investments will make 56.4% of all the investments and 72.7% of domestic sources investments.

GDP in CIS countries in 11 months of 2008 grown by 6 %

GDP in the countries of the Commonwealth of Independent States has increased by 6 % in January - November, 2008 in comparison with the similar

period of the last year, the Kazakhstan Today reported citing Statistics Agency of Kazakhstan.

Retail commodity turnover in real terms through all channels of realization has grown by 16 %, price indexes of manufacturers of industrial products - by 29 %, and consumer price indexes - by 17 %, the message of Statistics Agency informed.

Ansher Capital's research team prepared country reports on Central Asian & Caucasus countries, including 2008 updates, which is available through Thomson Reuters and Bloomberg as a premium content or contact to Research & Analysis Department of Ansher Capital at (+998-71)-248 3448 or research@ansherholding.com



Financial Markets

*The authorized capital of **Samruk-Kazyna National Welfare Fund** is wholly owned by the government of Kazakhstan.*

***Samruk-Kazyna National Welfare Fund** was established by merging **Samruk State Fund of Sustainable Growth** and **Kazyna State Holding**.*

***Bank of Azerbaijan** was opened in 1993 as **Rabatbank**. Then in 1998 it replaced its name for **Is Bankasi Azerbaijan** after bank **Turkiye Dis Ticaret AS** entered its shareholder ranks. After withdrawal of the Turkish shareholder in 2006 the Bank decided to change its name again for **Bank of Azerbaijan**.*

Consolidated authorized capital of fund Samruk-Kazyna - US\$29 billion

As of January, 1st of 2009, the consolidated authorized capital of Samruk-Kazyna Fund reaches about three and a half billion KZT, or US\$29 billion, the agency reported citing the message of the press service of the fund.

According to the preliminary data, 404 affiliated and dependent organizations and affiliated with them legal persons operate in holding Samruk-Kazyna.

"Total number of people working in the holding totals over 260 thousand," the message stated.

The main directions of activity of the fund are: assistance in modernization and diversification of the national economy, assistance in stabilization of the national economy, and increase of

efficiency of the work of the companies.

Earlier, the Minister of Economics and Budgetary Planning, Bahyt Sultanov, during presentation in Majilis of the bill on Fund of National Welfare said the shares of Samruk-Kazyna cannot be privatized.

"One of the important introductions to the bill, emphasizing the features of the legal status of the group of the fund, is interdiction on alienation of the shares of the Fund Samruk-Kazyna," B. Sultanov said.

"The shares of the fund are the state property and cannot be privatized, be exposed on the share market, or be alienated otherwise," he emphasized. The bill, according to the Minis-

ter of Economics and Budgetary Planning, provides an opportunity of purchase by the fund alienated by proprietors of strategic objects and competitive weight in case of bankruptcy of the organizations, share holdings of which are strategic objects, or the organizations having an important strategic value for the economy of the Republic in case of realization by the government of the priority right of purchase of strategic objects.

The Fund informed earlier that 37 housing complexes with more than 13 thousand apartments have been financed by the fund in Astana and it will ill carry out its obligations on the financed objects of housing construction.

Bank of Azerbaijan declined to sell its shares to France's Societe Generale

Bank of Azerbaijan (BoA) stopped negotiations with one of the leading banks of the world - Societe Generale (SG).

According to BoA chairman of board Khayal Sharifzadeh's words s SG was interested to acquire control package of shares in their Bank taking into account its good financial performance and great potential. "We also wanted to draw the French bank as strategic investor.

But taking into account situation at the world financial market, the shareholders of BoA which has 15-year history made a decision to halt talks to diminish

possible impact of financial turmoil and continue our bank development project," Sharifzadeh added.

However, currently many other international financial institutions continue displaying interest in acquisition of equity stakes in BoA. "But during this year we don't intend to draw strategic investors," Sharifzadeh said.

Azerbaijan posts 53% rise in official currency reserves in 2008

As of January 1, 2009, Azerbaijan's official foreign exchange reserves stood at US\$ 6,137 mln, up 52.3% on a year ago, said the National Bank of Azerbaijan.

The manat rose 0.0443 manats or 5.24% against the US dollar during 2008.

The country official currency reserves rose 0.6% in November 2008 to US\$ 5,348.6 million while declined 2.3% in October of the last year.

Of the currency reserves, Azerbaijan holds 60% in the US dollar, 30% in the euro and 10% in pound sterling.

As a result of depreciation of foreign currencies lead to a decline in the country's reserves.

However, Azerbaijan didn't suffer a remarkable loss during the global financial crisis like other countries.



Company & Industry

Georgia's economic growth rate slowed to 2 % last year compared with 12.4 % in 2007, preliminary estimates show.

*An international consortium of **Uzbekneftegaz**, **Petronas**, **Russia's Lukoil Overseas**, **CNPC (China National Petroleum Corporation)** and **KNOC (Korea National Oil Corporation)** signed a PSA to develop the Uzbek part of the Aral Sea with the Uzbek government for 35 years.*

***MangistauMunaiGas** is previously owned by Indonesia-based **Central Asia Petroleum**.*

Georgian ISP Caucasus sees strong 2009 revenue growth

Georgia's leading Internet firm Caucasus Online will increase revenues by 40% this year despite the worldwide economic crisis, owner and chief executive Mamia Sanadiradze told Reuters in an interview on January 14, 2009.

Economic experts say telecommunications is one of the few sectors in Georgia's economy still growing dynamically despite the brief Georgia-Russia war last August and the world economic downturn. The sector has plenty of room for expansion as relatively few people still have internet access.

"We estimate that in 2009 our revenue will increase by 40% compared with 24% in 2008," said Sanadiradze, who holds 80.1 % of the company. He added that last year's revenues reached US\$18 mln, but did not

reveal profit figures for the company.

Thanks to a US\$34 bln loan from the European Bank for Reconstruction and Development (EBRD) last year, Caucasus Online plans to build new fibre-optic networks connecting Georgia's main cities and giving connection opportunities for neighboring Azerbaijan and Armenia.

"We are going to grow to Armenia and Azerbaijan, and in Central Asia. We have already had talks with them on how to sell European Internet in those countries," Sanadiradze said. As well as the loan, the EBRD bought a 5 % stake in the company for US\$1 mln.

Sanadiradze said a big role in the increase of revenue was played by the building of a new

fibre-to-home network (FTTH), which now accounts for 40 % of total earnings.

However with many other Internet firms also growing very rapidly, Caucasus Online's share in the Georgian market shrank to 65 percent from 70 percent, compared with 80 % in previous years.

Last year, Caucasus Online said it wanted to issue new shares on the London Stock Exchange to raise US\$100 mln, but later abandoned this plan because of an unfavorable situation on the world financial markets.

"We still plan an IPO of our shares in Europe but it might happen in 2011, now we have enough funds from the EBRD loan to spend for the fulfillment of our plans," Sanadiradze said.

Natural gas production on rise in Uzbekistan

The industrial stream of natural gas has been reached in the first well at the Gadjak Deposit, Surxondaryo Region.

Uzbekneftegaz national holding company's (NHC) press service stated that an agreement on joint seismological study of the Boysun investment unit in Surxondaryo Region is being implemented by the Uzbekneftegaz NHC in cooperation with Malaysia's Petronas Charigali Overseas.

In line with the agreement, well No45 of the Gadjak deposit is being tested. A project worth nearly US\$ 80 mln envisages 2D and 3D seismological survey and interpretation of the obtained data. At the moment, perforation work is ongoing in the facility, and industrial gas

stream has been reached. Testing is expected to be finished in the nearest future. Upon the testing of wells, the sides intend to sign a product sharing agreement (PSA) to develop areas of the Boysun unit.

Earlier, Uzbekneftegaz NHC signed a package of documents under the PSA concerning Urga, Quanish and Oqchalak groups.

Uzbekneftegaz NHC also signed an agreement with Petronas to build a synthetic fuel plant, to be commissioned in late 2012. The project will be implemented on the basis of the Shurtan gas and chemical complex in Qashqadaryo Region.

KazMunaiGas Buys Majority Stake in Kazakh Oil Firm

Kazakh state oil and gas company KazMunaiGas said on January 12, 2009 it had bought

a controlling stake in local upstream company MangistauMunaiGas.

"The acquisition will be financed from KazMunaiGas' own funds," the company said in a statement without giving information about the price of the stake. The deal, through which KazMunaiGas will buy 50% of MangistauMunaiGas plus two shares, is due to be closed by March after regulatory approvals.

KazMunaiGas's London-listed subsidiary KazMunaiGas E&P had said earlier it would be interested in eventually acquiring the company.

MangistauMunaiGas is based in the Kazakh oil town of Aktau. Its residual oil reserves are 812 million tonnes, including 194 million tonnes of extractable reserves.

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