

WEEK OF STOCK MARKET OF KAZAKHSTAN

March 1 - 7

1 US dollar = 145.35 tenge at official rate for the end of the period

1 US dollar = 145.60 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 March 1 - 7. In parentheses – figures of previous period. Instruments are given in ascending order, based on their attractiveness.

Investment attractiveness of stock exchange instruments from March 1 through 7

Financial instrument	Currency	Yield, % APR	Volume of deals, mln KZT	Volume of deals, mln USD
RENTb	USD	15.17 (15.02)	0 (0)	0 (0)
VITAb2	USD	13.54 (13.52)	0 (0)	0 (0)
SMGZb1	USD	13.00 (13.00)	0 (0)	0 (0)
RGBRb2	USD	12.06 (12.53)	0 (135.7)	0 (933.7)
KZASb1	USD	12.00 (11.70)	66.0 (0)	453.4 (0)
Securities, repo	USD	*11.41 (13.13)	200.3 (48.0)	1,378.5 (330.5)
BTASb1	USD	11.30 (11.30)	0 (18.6)	0 (127.7)
KARMB1	USD	10.90 (10.90)	0 (0)	0 (0)
CCBNb1	USD	10.89 (11.11)	0 (0)	0 (0)
HSBKb	USD	10.50 (10.50)	0 (0)	0 (0)
KZOLb	USD	10.26 (10.65)	0 (29.1)	0 (200.0)
KZTOb	USD	10.16 (10.21)	0 (14.6)	0 (100.2)
KKGBe2	USD	9.50 (9.51)	0 (0)	0 (0)
ATFBb	USD	9.41 (10.50)	0 (0)	0 (0)
TMJLb	USD	9.40 (9.65)	28.3 (56.3)	194.3 (387.4)
ALKSb	USD	9.04 (9.52)	0 (0)	0 (0)
Euronotes-4	USD	8.29 (8.43)	1,697.0 (2,504.9)	11,664.9 (17,240.4)
TEBNb	USD	8.24 (6.74)	0 (3.0)	0 (20.4)
Euronotes-3	USD	7.68 (7.67)	3,680.8 (387.5)	25,300.8 (2,667.2)
Euronotes-2	USD	7.03 (7.66)	153.5 (80.4)	1,055.3 (553.4)
MEKAVM	USD	*6.17 (7.23)	1.9 (53.8)	13.0 (370.5)
KKGBb	USD	5.40 (4.82)	0 (0)	0 (0)
IFO bonds	USD	4.80 (5.10)	59.1 (260.3)	406.2 (1,791.3)
MEKKAM, notes	KZT	*6.49 (7.31)	924.5 (951.4)	6,355.1 (6,548.2)
GB repo	KZT	*4.31 (7.00)	8,069.8 (3,696.2)	55,470.2 (25,440.4)
Securities, repo	KZT	*2.00 (9.00)	30.8 (1.1)	211.9 (7.2)

Notes: yields of KZASb1, TMJLb are calculated as average of the deals, yields of other corporate bonds are calculated as average of offer bids.

Tenge devaluation rate is estimated at weighted average rate of the main session of KASE in the week by a trend of **11.33% 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 March 7, 4:00 PM ALT and changes during the week

Term	Currency	Rate	Trend
1 week	KZT	7.20	-1.47
2 weeks	KZT	8.10	-1.32
1 month	KZT	9.00	-1.17
2 months	KZT	9.90	-1.02
3 months	KZT	10.70	-1.13

During the period the offering rates were almost unilaterally declining. Except for March 7 only: before a three-day holidays the money got slightly expensive. In general, big repayment volumes of GB on March 2 and 11 was having a positive impact on the correspondent accounts of the banks. The short-term liquidity problems were well behind.

THE SECURITIES SECTOR (SS)

Secondary market

During observed period 9 deals amounting to **\$1,427.6 th.** (KZT207.7 mln) were made in **purchase and sale sector** of the securities on trade floors of the KASE. Relative to previous period (\$3,326.8 th., 31 deals) weekly turnover of the sector decreased 2.3 times. Absolute leaders of this week were **coupon bonds of DAGOK Kustanaiasbest OJSC** (KZ739AVI2A42, official list of the KASE securities, category "A", KZASb1), with their proportion reaching 31.8% of total volume. Then, there were common shares of TNC KAZCHROME OJSC (KZ1C04180427, official list of the KASE category "A", KZCR) – 29.5%, followed by preferred shares of Mangistaumunaigas OJSC (KZ1P05020213, official list of the KASE securities, category "B", MMGZp) – 25.0%. For other securities, traded during the week, volumes of the deals were insignificant. Last week common shares of Bank TuranAlem OJSC were the leaders.

By the last deals of the period the price of CCBN increased by 5.2% relative to the previous successful trades, KZCR – by 22.0%, MMGZp – by 58.3%. The yields of TMJLb bonds grew from 9.5001% to 9.6501% APR.

On March 7, 2001 **the capitalization of the companies**, whose shares are traded on the securities exchange market of Kazakhstan, equaled **\$1,403.9 mln** or KZT204.4 bln at tenge to dollar rate of the Exchange, effective on that date. During the week this number increased **by \$11.3 mln** in terms of dollars can be explained by an increase in values of all the shares traded during the week (see above).

The capitalization of corporate bonds market of the Exchange by their best ask prices, that are regularly put out by the market-makers of these securities in the trade system of the Exchange, was fixed at **\$231.5 mln** as of March 7, or KZT33,702.3 mln. In nominal value (total face value of the bonds that were entered into trade lists of KASE) is estimated at **\$261.8 mln** as of this check date, or KZT38,115.5 mln.

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

Results of the trades in shares from March 1 - 7

USD per share, unless otherwise specified

Issuer	Securities	Close	WA price	Volume	Best bid	Best offer
Almaty Kus OJSC	ALKS			0	0.1540	0.3080
Aktobemunaigas JSC	AMGZp	*8.3500		0		*15.0000
Bank TuranAlem OJSC	BTAS	71.52		0	71.50	73.50
Bank CenterCredit OJSC	CCBN	1.3393	1.3393	1 000	1.3418	1.3393
Halyk Bank of Kazakhstan OJSC	HSBK	0.8324		0	0.9000	1.8000
KAZKOMMERTSBANK OJSC	KKGB	*0.4500		0	0.2500	0.5000
TNC Kazchrome OJSC	KZCR	*7.320	7.320	57 615	7.320	7.320
Kazakhtelecom	KZTK	14.500		0	13.500	16.500
Kazakhtelecom	KZTKp	*8.710		0	8.000	12.000
Mangistaumunaigas OJSC	MMGZp	*4.7500	4.7500	75 109	4.7500	4.7500
Rakhat JSC	RAHT			0	*0.42	
SAUR OJSC	SAYR			0		*0.3400
SHNOS OJSC	SYRG			0	1.3000	
Temirbank OJSC	TEBN	*1.095		0	0.688	3.500
ULBA JSC	ULBAp	*10.00		0		*10.32
UKTMK OJSC	UTMK	*50.000		0	5.000	145.000
UKTMK OJSC	UTMKp	*4.3100		0	5.0000	
VALUT-TRANZIT BANK OJSC	VTBN	2.5572		0	1.3762	2.5069
VALUT-TRANZIT BANK OJSC	VTBNp	2.3033		0	1.3762	2.3008

Results of the trades in bonds from March 1 - 7

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	15.8542		0.00	18.9029	11.1997
AMB CJSC	ATFBb	USD	10.5979		0.00	9.4157	10.5013
Bank TuranAlem OJSC	BTASb1	USD	11.3000		0.00	11.8000	11.3000
Bank CenterCredit OJSC	CCBNb1	USD	11.6998		0.00	11.9879	10.8958
Halyk Bank of Kazakhstan OJSC	HSBKb	USD	11.2702		0.00	13.5000	10.5000
Karazhanbasmunai OJSC	KARMB1	USD			0.00	11.0171	10.9000
KAZKOMMERTSBANK OJSC	KKGBb	USD	7.00		0.00	10.50	5.52
DAGOK Kustanaiasbest OJSC	KZASb1	USD	12.0000	12.0000	453.36	12.0000	12.0000
NOC Kazakhoil CJSC	KZOLb	USD	10.6001		0.00	10.5083	10.4001
NOTC KazTransOil CJSC	KZTOb	USD	10.2105		0.00	10.5000	10.2025
RENATA LLP	RENTb	USD			0.00		*15.8398
RG BRANDS LLP	RGBRb2	USD	12.5000		0.00	12.7000	12.3000
SHAHARMUNAIGAS OJSC	SMGZb1	USD			0.00	18.9950	13.0022
Temirbank OJSC	TEBNb	USD	6.6943		0.00	16.7592	10.0265
Kazakhstan Temir Joly NSE	TMJLb	USD	9.6501	9.4000	194.34	9.1500	9.6501
VITA LLP	VITAb2	USD			0.00	14.4760	13.5416

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. For VITAb2 - auction deal.

The **KASE index** that reflects the changes in the ask 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 0.0077** during the week, at **105.8478** at March 7 closing.

In the securities repo sector **7 deals were made** during the week for a total of **\$1.792.4 mln** (KZT260.5 mln). Of this number 5 deals (\$1,590.4 th.) were repo opening deals and 2 (\$202.0 th.) repo closing. At the end of the period 17 securities repos (in dollars and tenge) were opened at the trade floor of the Exchange for a total of **\$2,826.9 th.** Common and preferred shares of VALUT-TRANZIT BANK OJSC, bonds of VITA LLP, RG BRANDS LLP, SHAHARMUNAIGAS OJSC, and NOC KAZAKHOIL CJSC were used as the object of repo deals. The terms vary from 16 to 87 days, and the rates from 10.50 to 19.66% APR. In tenge one repo was opened for 5 days at 2.0% APR.

Total of 16 deals amounting to **\$2,220.0 mln (KZT468.1 mln)** were made in securities on trade floors of **KASE** during last week (purchase and sale and repo sector). A week ago volume of 38 deals was \$5,054.8 mln.

Changes in trade lists

From **March 5, 2001**, by the decision of the Exchange Council of Kazakhstan Stock Exchange (KASE) of the same date, first issue **inscribed coupon bonds of Shymkentnefteorgsintez OJSC** (SHNOS OJSC, Shymkent) were admitted into official list of the Exchange's securities under category "A". More detailed information is presented in the special issue (see below).

From **March 12, 2001**, based on the application of the trade member of the KASE, **common inscribed** (KZ1C00482116, NFCH) and **preferred inscribed** (KZ1P00482111, NFCHp) shares of **Neftekhimbank OJSC** (Shymkent,) are admitted to the trades in "Non-listed securities" sector under second admission level. On Sept.5, 1997 the shares of Neftekhimbank OJSC were entered into additional list of KASE. According to the new requirements stipulated by "Securities Listing Regulation" on July 14, 1998 shares of the bank were transferred to category "B" of the official list. Because of recall of the license on conducting banking transactions in tenge and hard currency by the decision of the Exchange Council dated May 2, 2000 shares of the bank were excluded from KASE trade lists. **At present, according to the court's decision dated May 12, 2000 the bank is passing liquidation procedure.**

SECTOR OF GOVERNMENT BONDS (GB)

Secondary market

In **GB purchase and sale sector** of KASE total volume of 96 deals equaled **KZT7,742.0 mln**. Last week the turnover exceeded KZT5,132.2 mln with 96 deals made. Growth of the volume was mainly due to a high trading frequency of the euronotes of Kazakhstan, as well as due to some increase in the proportion of the deals made in GB on the secondary market of the country. The IRBIS analysts do not tend to consider this change in turnover and structure principal.

Parameters of stock exchange transactions in GB from March 1 - 7

(in parentheses are comparable figures of the previous period)

Days till maturity	Yield to maturity for a buyer, % APR.				Volume, mln tenge discounted	Number of deals
	min	max	last deal	weighted average		
Discounted GB: MEKKAM-3, 12, notes						
13.8% (18.6%) of purchase and sale sector's turnover						
8 – 14	5.30	5.99	5.83	5.65 (6.23)	137.7	5
15 – 28	6.14	6.33	6.33	6.23 (6.57)	199.4	3
29 – 36	6.57	6.91	6.57	6.60 (8.93)	65.5	2
37 – 42	6.30	6.78	6.30	6.47 (-)	517.0	10
43 – 56	6.50	6.50	6.50	6.50 (6.54)	5.0	1
Total					924.5 (951.4)	21 (22)
Discounted indexed GB: MEKAVM-12						
0.03% (1.0%) of purchase and sale sector's turnover						
less than 8	5.99	5.99	5.99	5.99 (7.00)	1.9	1
Total					1.9 (53.8)	1 (2)
Coupon GB: MEOKAM-36, MEOKAM-24						
3.3% (17.4%) of purchase and sale sector's turnover						
577 – 672	13.50	13.89	13.50	13.51 (14.29)	112.0	2
927 – 1,086	14.13	17.22	14.13	15.69 (16.82)	113.2	16
Total					225.2 (893.9)	18 (18)
Euronotes of Kazakhstan, USD						
82.0% (57.9%) of purchase and sale sector's turnover						
566 – 567	6.67	7.34	6.67	7.03 (7.66)	153.5	3
1,301 – 1,307	7.57	7.83	7.72	7.68 (7.67)	3,680.8	19
2,224 – 2,230	8.10	8.48	8.14	8.29 (8.43)	1,697.0	22
Total					5,531.3 (2,972.8)	44 (41)
Euronotes of international financial organizations, USD						
0.9% (5.1%) of purchase and sale sector's turnover						
360 - 364	4.77	4.79	4.77	4.78 (4.93)	44.0	4
732 - 732	4.86	4.86	4.86	4.86 (5.03)	15.1	1
Total					59.1 (260.3)	5 (13)
SUBTOTAL					6,742.0 (5,132.2)	89 (96)

Notes: for euronotes (* - second issue, ** - third issue, *** - fourth issue) volumes of the deals are calculated at weighted average USD/KZT rate of the Exchange. Volumes for indexed domestic GS are calculated considering official rate of USD/KZT.

In GB repo sector 70 deals for a total of KZT10,499.7 mln were made during the period. Of this number 39 deals (for KZT8,069.8 mln) were repo opening deals and 31 (KZT2,429.9 mln) were repo closing deals. Last period the turnover of this sector of the market was registered at KZT7,108.5 mln. After closing of the trades on March 7 total amount of opened repo equaled KZT8,635.5 mln. Current weighted average rates as of March 7 (% APR) equaled: for 3 days – 3.17; for 5 days – 4.00; for 7 days – 3.00; for 10 days – 4.50; for 22 days – 7.00; for 26 days – 8.00; for 28 days – 7.30; for 29 days – 8.00; for 30 days – 7.62; for 31 days – 8.08.

Total of 159 deals amounting to KZT17,241.6 mln were made in GB on trade floors of KASE during last week (purchase and sale and repo sector). A week ago volume of 207 deals was KZT12,240.7 mln. In this week proportion of the stock market turnover in total volume of deals on Kazakhstani secondary market for GB for comparable operations (including euronotes and repo operations) equaled 86.2%, for last week it was 82.8%.

INFORMATION ON COMPANIES

Karazhanbasmunai OJSC (Aktau; development of “Karazhanbas” oil field; extraction, preparation, realization and processing of oil, introduction of thermal methods of oil productivity, construction of wells, purification and processing of crude oil, construction of facilities for oil preparation, exporting marketing and sales of hydrocarbons and hydrocarbon products), in compliance with the listing requirements, presented the company’s major technical-economic ratios in 2000 to the Kazakhstan Stock Exchange (KASE).

Ratio	Measurement unit	2000
Oil extraction	th tons	885,42
	mln KZT	2 574,9
Oil supplied to domestic market	th tons	136,73
	mln KZT	1 284,6
Oil exported	th tons	727,11
	mln KZT	15 633,1
Cost of goods	ml KZT/tons	2,9
Weighted average sale price	KZT	19 584,6
Net income	mln KZT	4 674,9
Number of workers	people	2 149

KAZKOMMERTSBANK OJSC (Almaty), in compliance with the listing obligations, informed the Kazakhstan Stock Exchange (KASE) of calling annual shareholders general meeting on March 30, 2001 with the following agenda:

- Report of the Board of KAZKOMMERTSBANK OJSC on the bank activities in 2000.
- Approval of KAZKOMMERTSBANK OJSC financial statements and the report of the Revision commission.
- Distribution order of net income and appropriation amount to the reserve capital of KAZKOMMERTSBANK OJSC. Dividend payments.
- Changes to the Charter of KAZKOMMERTSBANK OJSC.
- Election of KAZKOMMERTSBANK OJSC inspector.
- Dismissal of the members of the Board of KAZKOMMERTSBANK OJSC.
- Setting the number and election of new members of the Board of KAZKOMMERTSBANK OJSC.
- Approval of an external auditor for KAZKOMMERTSBANK OJSC.
- Miscellaneous.

The meeting will be held at: 135J, Gagarin Ave., Almaty. In case of the absence of the quorum the meeting will be held again on March 31, 2001.

Kazakhtelecom (Astana), in compliance with the listing requirements, presented the company’s major technical-economic ratios for 2000 to the KASE. The tables presented below contain major indicators and their dynamics for 1999 and 2000.

Technical and economic indicators of Kazakhtelecom

Indicator	As of Jan.01, 00	As of Jan.01, 01	change %
Inter-city and international telephony, thousand minutes	690,588	952,490	+37.9
including - chargeable Kazakhtelecom OJSC	668,063	847,999	+26.9
of which chargeable traffic, break down by directions:			
Republic of Kazakhstan	568,804	742,658	+30.6
CIS countries	86,940	92,672	+6.6
Rest of the world	12,319	12,669	+2.8
Time of Internet connections, thousand minutes	23,251	108,419	+366.3
Telegrams outgoing, thousand units		1,797	
including chargeable		861	

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Technical and economic indicators of Kazakhtelecom

Indicator	As of		change %
	Jan.01, 00	Jan.01, 01	
Presence of basic telephone sets (BTS), units	1,759,769	1,835,325	+4.3
including rural telephone lines (RTL)	267,278	287,913	+7.7
BTS total of population, units	1,559,089	1628,973	+4.5
Newly set BTS, units	144,418	180,751	+25.2
including RTL	29,352	50,806	+73.1
Net growth, units	-15,613	75,556	
including RTL	-20,572	20,635	
Density of BTS on 100 units of population, units	11.9	12.3	+2.5
including RTL	4.1	4.4	+7.7

Financial and economic indicators of Kazakhtelecom

thousand tenge, unless otherwise indicated

Indicator	As of		change %
	Jan.01, 00	Jan.01, 01	
Sales revenues:	29,852,476	35,897,020	+20.2
including:			
inter-city and international communication	18,988,681	22,321,008	+17.5
telegraph communication	446,350	309,368	-30.6
local telephone communication	9,803,347	11,891,965	+21.3
Wired radio	165,134	137,705	-16.6
Satellite communication (IPLC и KULAN)		188,723	
data transmission networks	109,225	623,108	+470.5
smart cards	127,066	349,336	+174.9
Operating expenses:	22,786,753	29,335,818	+28.7
including:			
goods	1,249,539	1,527,601	+22.3
purchase	2,664,770	5,191,626	+94.8
major repair	794,171	1,198,994	+51.0
labor payments	7,209,700	8,306,662	+15.2
taxes	2,051,859	2,756,816	+34.4
including general state taxes	1,484,617	2,289,028	+54.2
social security	3,096	2,806	-9.3
depreciation	4,414,359	6,944,107	+57.3
Number of employees.	32,967	30,872	-6.3
including AAU	2,887	2,615	-9.4
Income per employee	905.5	1,162.8	+28.4
Accounts receivable:	9,253,532	8,014,859	-13.3
including:			
individuals	1,151,552	1,320,713	+14.7
government entities:	1,012,463	751,969	-25.7
state budget	578,707	559,863	-3.2
local budgets	433,756	192,106	-55.7
other legal entities	3,021,672	2,637,725	-12.7
debts of CIS countries	2,644,485	2,220,567	-16.0
debt of rest of the world	1,423,360	1,083,885	-23.8

UST-KAMENOGORSK TITANIUM-MAGNESIUM COMBINE OJSC (UKTMK OJSC, Oskemen; production and sales of non-ferrous metals (high grade titanium sponge, commodity magnesium), in compliance with the listing requirements, presented the company's major technical-economic ratios in 2000 to the KASE.

mIn KZT, unless otherwise specified

Ratio	2000
Sales	5,523.3
Cost of goods sold	5,067.6
Profitability, %	9.0
Balance sheet profit:	
considering exchange rate difference	411.5
excluding exchange rate difference	411.5
Productivity, KZT/man	2,046,391
Average monthly wage, KZT	28,250.6
Capital investments	377.0
Accounts receivable	95.7
Accounts payable	671.5

Kazakhstan Temir Zholy NSE (Astana) presented to KASE documents informing that National Securities Commission of Kazakhstan (NSC) approved report on floatation of the first issue discount bonds of Kazakhstan Temir Zholy NSE (KZ2CLALN6A19, category "A" of the KASE listing, TMJLb, June 23, 2000-June 23, 2001, \$15 mln, current market price - 9.65% APR) for a **total of \$15,000,000**. The report was approved on **Feb.12, 2001**. Weighted average rate of bonds at primary floatation equaled **11.49% APR**. According to the IRBIS

agency, the emission was distributed as follows: pension assets management companies - 31%, banks - 2%, other investors - 67% (broker dealer companies and clients).

VALUT-TRANZIT BANK OJSC (Karagandy), in compliance with the listing obligations, informed the KASE of the changes in the Board of the bank. The bank informs, that by the decision of the Board of directors, dated Feb 16, 01, Adilkhanov Murat Sovetovich was assigned as acting chairman of the Board of the bank; Tabuldin Serik Majitovich - as acting vice-chairman of the Board; and acting senior accountant - Kazantseva Lyudmila Nikolaevna.

CHANGE IN TRADING MODE

From March 12, 2001, by the decision of the Board of Kazakhstan Stock Exchange (KASE), dated March 5, 01, new normative document of the KASE “**Rules of making deals in shares**” (Rules) will be enacted. This document was developed based on the National Securities Commission of Kazakhstan (NSC) Directorate resolution #732 dated Dec 07, 2000 “**On introducing standby mode for bids satisfaction process in shares purchase and sale operations in the trade system of Kazakhstan Stock Exchange CJSC**” and registered with the Ministry of Justice on Jan 10, 01 under the number 1357.

The core principle of the method is following.

The fifteen minutes standby mode is automatically set for deals over shares in case of selection of two combined bids made in uninterrupted counter auction method (main trade method on KASE). During this mode, trades over shares are conducted using the Frankfurt auction method (one of the additional trade methods of the KASE). This method implies that trade participants are authorized to set new bids in the trade system competitive to those fixed in the standby mode. After termination of the mode all bids (both fixed in standby mode and set in trade system) are satisfied at the **cut-off price** - price that provides maximal volume of deals conclusion. After satisfaction of bids, trades are resumed in the main mode of KASE. The unsatisfied bids (both fixed in standby mode and set in trade system) continue to participate in trades without necessity to repeated quotations in the trade system of KASE or their confirmation.

Above mentioned procedures (i.e. automatic shift to standby mode, launching of the Frankfurt auction method, return to uninterrupted counter auction method for unsatisfied bids) should be executed till an occurrence of one of following events:

- satisfaction of all bids quoted in the trade system of KASE over particular shares;
- recall of all unsatisfied bids, previously quoted in the trade system over particular shares;
- completion of trades over shares that stipulates annulment of all unsatisfied bids previously quoted in the trade system over particular shares.

This order applies only to the deals made in shares of listed companies (official list of the KASE securities under categories “A” and “B”).

The uninterrupted counter auction method implies methods of trades at which the KASE trade system independently satisfies bids submitted by dealers on the ground of price and volume combinations stated in counter bids and considering priority of first bid above following one with the same stated price.

The Frankfurt auction method implies method of trades at which traders quote bids in the trades system during particular period of time. After conclusion of quoting all bids satisfied according to the cut-off price method.

The above mentioned trade mode is implemented “with a view to minimize possibility for price manipulation.”

Prepared by the agency «IRBIS»

First issue bonds of Shymkentnefteorgsintez OJSC were entered into the KASE listing under category “A”

Special issue based on the information of Shymkentnefteorgsintez OJSC, Kazakhstan Stock Exchange (KASE), and NSC of Kazakhstan

On March 5, 2001, by the decision of the Exchange Council of Kazakhstan Stock Exchange (KASE) of the same date, first issue inscribed coupon bonds of Shymkentnefteorgsintez OJSC (SHNOS OJSC, Shymkent) were admitted into official list of the Exchange’s securities under category “A”.

BOND ISSUE INFORMATION

Type of the securities:	inscribed coupon bonds, indexed by the change in the exchange rate of tenge to U.S. dollar
Status of bonds	bonds certify direct, common, unconditional, non-subordinated and unsecured liabilities of the issuer
National identification number:	KZ2CUY03A339
Number in the state register	A33
Registrar	Reestr-Service LLP (Almaty)
Date of registration	Feb 16, 01
Face value, USD:	100.00
Issue volume, USD:	25,000,000
Issue volume, bonds	250,000
Circulation starts on	Feb 26, 01
Floatation term	3 years from circulation date
Circulation term	3 years
Maturity	Feb 26, 04
Interest:	10.0% APR
Interest payment days	August 26 and February 26
Time basis for coupon calculations	360/30
Fixing date of the register for coupon payments	30 days
Dates when the register is fixed for coupon payments	July 27 and January 27
Fixing date of the register for the maturity	30 days
Date when the register is fixed for the maturity	January 27, 04
Servicing of the issue	in tenge at official rate of the main session on KASE, effective on the payment date
Financial consultant of the issue:	ABN AMRO Bank Kazakhstan CJSC (Almaty); KAZKOMMERTSBANK OJSC (Almaty); Halyk Bank Kazakhstan OJSC (Almaty).
Admittance date to the KASE trade lists	March 05, 01
Date of the first trades	To be announced
KASE trade code	SYRGb1
Price deviation accuracy	4 decimal points
Market-makers at the KASE	KAZKOMMERTSBANK OJSC (Almaty)

Additional conditions

As it was stated above interest and face value settlements are made in tenge at USD/KZT weighted average rate of the KASE morning session effective on the payment date. If the rate is not set on the settlement date, the payments are made at the official rate of National Bank effective on the payment date. At discretion of the issuer coupon payments can be made in the same way as face value payments, in US dollars to holders, which are not residents of Kazakhstan. Coupon and face value of bonds to maturity are made only on business day (day of transfer). No additional interest or other amounts are to be charged because the business day when the coupon is to be paid falls on the next day set for the payment date. If the coupon payment or maturity date falls on week-end (holiday), the payment will be made on the next business day.

The issuer can, at any time, buy bonds on open market or otherwise at any price. Bonds purchased in this way do not give right to vote on meetings of bondholders while being held by or on behalf of the issuer. These bonds also can not to be considered as unredeemed in the view to define quorum on meetings of bondholders or in case of failure to execute obligations stipulated by present terms. All bonds purchased or redeemed in this way and any coupons with due date must be annulled and can not be reissued or redistributed.

In case if the issuer fails to pay off any amount in accordance with present terms at proper date, it must repay interest on past-due amounts. Interest is to be accrued from the date set for payment till actual date of the payment (before and after court decision) at 2% APR rate in excess to coupon. If the interest is accrued on a term less than one year, it will be accrued considering 360/30 time basis (12 months in a year, 30 days in one

moth, 360 days in a year). The interest is to be canceled from the repayment date. If redemption is delayed or suspended, the interest must still be accrued.

The funds raised through the issue would finance general corporate objectives, including financing of capital investments and operating capital, repayment of debts, etc.

GENERAL INFORMATION

The date of initial state registration – Dec 31, 93, date of last re-registration – Apr 2, 99. Legal status – open joint stock company. Ownership – private. Legal and actual address of the head office – 5th km of Lenger highway, Shymkent, South Kazakhstan region, 486050, Kazakhstan. Number of employees as of Jan 1, 01 – 2,352 (personnel engaged in production – 1,714, administrative personnel – 536, others – 102).

Primary activities of SHNOS OJSC are the processing of oil and selling of oil products. Most products are presented by gasoline, diesel fuel, fuel oil, kerosene and liquefied gas.

ESTABLISHMENT HISTORY AND LIABILITIES

SHNOS OJSC was founded in 1993 on the basis of Shymkent oil refinery. The main capacities of Shymkent refinery were put into service in mid 80's and early 90's. Projected capacity of the plant is 7 mln tons.

In July 1996 the government of Kazakhstan privatized SHNOS OJSC by selling all common shares to Kazvit Holdings Ltd. (Kazvit), the company registered in Gibraltar and affiliated with KAZKOMMERTSBANK OJSC. Based on the agreement, Kazvit assumed all investment obligations amounting to \$150 mln (including investments made out of the plant's own funds), that has to be made till December 31, 2001. Based on agreement terms, if the investment obligations are not met fully, Kazvit will have to pay the government of Kazakhstan a fine equal to 15% of lacking amount of the investments. In January 1998 Kazvit sold common shares of SHNOS OJSC to Central Asian Industrial Investments N.V., (Caracua, Anthills, Netherlands), transferring all contractual obligations on share purchases and investment obligations. On December 31, 2000 Hurricane Hydrocarbons Ltd. (head office in Calgary, Alberta, Canada, according to the law of this country is was founded in 1986) has finished buying common shares of SHNOS OJSC from Central Asian Industrial Investments N.V.

Now Hurricane Hydrocarbons leads vertically integrated group of companies (Group), which includes: SHNOS OJSC, Hurricane Kumkol Munai OJSC (HKM, Kyzyl-Orda, Kazakhstan), Hurricane Overseas Services Inc. (Calgary, Canada), Hurricane Investments CJSC (Almaty), Hurricane – Dostyk (Almaty) and Hurricane – Sairan LLP (Almaty).

Hurricane Hydrocarbons started in Kazakhstan with a stake in Turan Petroleum JV in 1991, by participating in the development of three major oil fields (Kyzylkiya, Aryskum and Maibulak) in South Kazakhstan. Other participants of the joint venture were state HKM and Yuzhkazgeologiya. Later Turan Petroleum JV has obtained the license to develop Yuzhnyi Kumkol field. In 1996 on of Hurricane Hydrocarbons subsidiaries, Hurricane Kumkol Limited (Cyprus), bought all common shares of HKM for \$120 mln, which previously belonged to the state. One of the conditions of buying the shares is to meet investment obligations that obliges the Group to invest an equivalent of \$280 mln into the fixed assets of HKM till December 31, 2002. Both direct investments of Hurricane Hydrocarbons and profit of HKM can be used as the source of investments. If Hurricane Hydrocarbons does not meet its investment obligations, it has to pay a fine to the government of Kazakhstan equal to 15% of lacking investment amount. As Hurricane Hydrocarbons estimates, as of late March 2000 the Group has met its investment obligations by 50%.

Based on purchase conditions of SHNOS OJSC shares (as it was mentioned above, the shares have been purchased by Central Asian Industrial Investments N.V. on March 31, 00), Hurricane Hydrocarbons assumed all \$150 mln investment obligations. These obligations should be met till December 31, 2001 by attracting investments, or reinvesting SHNOS OJSC profits. The management estimates that as of late 2000 about \$87.1 mln has been invested. If Hurricane Hydrocarbons does not meet these requirements, it has to pay a fine equal to 15% of lacking investment amount. Hurricane Hydrocarbons intends to conduct talks with the government of Kazakhstan regarding the reduction of investment obligations relative to SHNOS OJSC, also by transferring part of the investments to HKM on the basis of economic soundness.

In 1999 – early 2000 Hurricane Hydrocarbons was under the protection of the Canadian law due to the default on debt liabilities. *(Based on SHNOS OJSC prospectus, Canadian law provides for the opportunity of temporary protection of the companies from the lenders and restructuring of the debt in case of the company's default on its obligations. Code of law acts and amendments to these acts that regulate such cases are called Companies' Creditors Arrangement Act).* After restructuring the debts on March 31, 2000 Hurricane Hydrocarbons was released from the protection. As of late 2000 Hurricane Hydrocarbons has paid a total of \$174.67 mln out of debt liabilities of \$198.57 mln. The management of Hurricane Hydrocarbons considers that can pay off remaining liabilities of \$23.9 mln ahead of schedule. Under Debt restructuring plan SHNOS OJSC issued guarantees in favor of the lenders of Hurricane Hydrocarbons for the amount of unpaid debt.

CAPITAL, SHARES AND SHAREHOLDERS

As of Feb 1, 01 announced authorized capital of the SHNOS OJSC equaled **KZT100 mln**, and issued and paid authorized capital - **KZT62.3 mln**. Total of 62,322,701 shares at KZT1.0 face value were issued, including 61,928,201 common inscribed and 394,500 preferred inscribed shares. SHNOS OJSC has registered three issues of shares. The last issue was registered on Jan 18, 01 with simultaneous cancellation of the second issue (second issue cancelled the first issue) for KZT62,322,701 due to a decrease in issued capital and contained 61,928,201 common and 394,500 preferred shares at KZT1.0 each. The issue is non-documentary. The shareholders register is maintained by Reestr-Service LLP (Almaty).

Dividends to one common share of SHNOS OJSC are determined by the General shareholders meeting upon the suggestion of the Board (based on the prospectus of the third issue dated Oct 1, 00 – upon the suggestion of the Board of directors). For preferred shares the charter and the issue prospectus set a fixed dividend at 100% of face value. In 1995 total of KZT23,368 th was paid out as dividends, of which KZT15,468 th to common shares and KZT7,882 th to preferred shares. In 1996 dividend payments equaled correspondingly: KZT15,385 th, KZT7,.75 th and KZT8,310 th. In 1997, 1998 and 1999 dividends were accrued and paid only to preferred shares for amounts of KZT7,905 th, KZT394.5 th and KZT327.5 th, respectively.

Common and preferred shares of SHNOS OJSC were entered into the official list of the KASE securities under category “A” on Sept 16, 98. From Sept 16, 97 through Sept 16, 98 they were traded within the official list of the category “B”. In 2000 seven deals were made in the company’s shares amounting to 13,293,307 shares totaling 15,776.8 th U.S. dollars. Based on the total volumes of the deals, the company’s common shares were the most traded securities at the KASE in 2000. Their prices varied at the Exchange during the year from \$1.0000 to \$1.6300 per share. The last deal was made at the maximum price. In 2001 no deals were made in common shares of SHNOS OJSC. No deals were made in preferred shares of the company at the KASE during the trading period. Kazkommerts Securities OJSC (Almaty) acts as a market-maker of SHNOS OJSC shares at the KASE.

As of Feb 2, 01, Hurricane Hydrocarbons owns 91.44% of SHNOS OJSC authorized capital (based on the results of the third issue). By the shareholders register, the remaining 8.56% is owned by the individuals.

DESCRIPTION OF ACTIVITY AND RAW MATERIAL BASE

As it was mentioned above, the primary activity of SHNOS OJSC is refining of oil and commercial operations with oil products. Commercial operations with crude oil is also an important source for revenues, large share of such operations was registered in the last year. General activity of the SHNOS is purchase of oil, processing and selling of oil products to other parties. The refinery also uses another scheme when it refines oil of customers charging fixed processing rates. By results of 9 month 2000 sales of oil products yielded 50% of the total sales income. The share of revenues from crude oil exporting took 43%. SHNOS mainly exports oil purchased from Hurricane Kumkol Munai (HKM). The oil is shipped from oil loading racks of the SHNOS.

Organizational structure. Industrial capacities of the company located in Shymkent. It has seven branches (Astana, Almaty, Shymkent, Taraz, Kyzyl-Orda, Karagandy and Ust-Kamenogorsk) and two representative offices in Almaty and Bishkek (Kyrgyzstan). The branch offices are the part of marketing network. Their activity is storage and selling of oil products. Main part of management is located in Shymkent. The part consisting of marketing and sales, strategic planning and analysis, financial and internal audit departments located in Almaty.

Crude oil supply. Main supplier of crude oil is Hurricane Kumkol Munai (HKM). In 1999, its share equaled 83% in total oil shipments, in 2000 - 64%. The raw material base of HKM is corresponded to licenses possessed by Hurricane Hydrocarbons group. Nowadays, the latter possess licenses over development of Kumkol, Uzhnii, kzylykiya, Aryskum and Maibulak oil deposits (these licenses had been previously recalled from Turgai Petroleum CJSC). It holds 50% participation in Turgai Petroleum CJSC (Kumkol-Lukoil) that develops Northern Kumkol deposit (northern part of Kumkol deposit) and 50% participation in Kazgermunai that possess licenses over development of Akshabulak, Nuraly and Aksai fields.

Among other large oil suppliers are NOTC KazTransOil (oil in exchange for transportation services), NOC KAZAKHOIL CJSC and Turgai Petroleum.

Oil delivery from Turgai basin is made through Kumkol-Shymkent pipe-line operated by KazTransOil. At present, the transportation tariff equals \$10.9. All payments are made in tenge. The exchange rate of conversion depends on purpose of oil transportation. The export transportation is rated at the official exchange rate of the National Bank. Transportation for further processing is paid off at exchange rate set as of Apr.1, 1999 (KZT87.5). At the beginning of 2001 the difference between to schemes totaled 65%. The transportation tariffs are paid by supplier. Most of oil purchases are based on prepayment terms.

All four oil fields of Hurricane Hydrocarbons group are linked with SHNOS by pipe-line with daily capacity of 21 th tons (7.5 mln per year). This pipe-line allows to increase production of oil products without additional investments into infrastructure.

Provision of oil reserves. As a result of revaluation made by McDaniel & Associates Consultants Ltd in 1999, proven recoverable oil reserves of Hurricane Hydrocarbons amounted to 244.6 mln barrels or 31.57 mln tons.

Considering oil production in 2000 (3.334 mln tons) reserves equaled 28.2 mln tons. The present rate of production would drain reserves within 8.5 years.

The regional oil fields are also being developed by Turgai Petroleum JV and Kazgermunai JV. The former company develops northern part of Kumkol. In 2000 it produced 1.3 mln tons of oil. In late 2000 the company's reserves amounted 10.1 mln tons. Kazgermunai JV develops three small oil fields: Akshabulak (recoverable reserves - 1 mln tons), Nurali and Aksai (fields are still being explored). Total production of the company amounted 0.56 mln tons in 2000.

Oil refining. Shymkent refinery started operation in 1985 with launch of LK-6U refining facility with annual capacity of 7.0 mln tons. The refinery was designed on processing of Western Siberian oil. The shift to Kumkol oil has required reconstruction of some facilities that was completed in 90th. At present refining level equals to 52% varying from 50 to 58% depending on type of processing.

The LK-6U facility consists of: equipment for atmospheric distillation (annual capacity - 7 mln tons); equipment for catalytic reforming with pre-hydrorefining (1 mln tons); equipment for hydro deparaffination of diesel fuel (1 mln tons); installation for hydrorefining of kerosene (600 th tons); gas fractionation plant (450 th tons). Equipment for vacuum distillation of fuel oil (3.8 mln tons) and retarded carbonization installation were set up in 1992. However, they have not been operated yet.

According to SHNOS OJSC, investments into fixed assets amounted KZT782 mln in 1997, KZT1.8 bln in 1998 (\$23 mln), 1999 - KZT906 mln. All investments were financed from internal sources (net income of the company). The main objectives of the investments were reconstruction of existing facilities to improve quality of production.

Between 1993 and 1998, the company introduced computer-based production management system and modernized reforming and hydro deparaffination installations.

Currently, retarded carbonization installation is being modified into fuel oil light thermocracking facility (1 mln tons). After launching of this equipment the company plans to set up fuel oil vacuum distillation facility. Fuel oil catalytic cracking facility is under construction (2 mln tons).

There are several auxiliary departments at the refinery that provide operation of main facilities: storing facility, central laboratory, steam and air supplying department, electric power shop, control equipment shop, etc.

The company received 4.56 mln tons of oil, of which 3.05 mln were refined and 1.51 mln were exported. From the processed oil 2.26 mln tons were acquired by SHNOS and 0.79 mln (17% of total supplied and 26% of processed oil) were received under tolling agreements. Tolling schemes are being regulated by Agency for regulation of natural monopolies (the Agency). In year 2000 the Agency set tariff of KZT2,845 including VAT per ton of processed oil (\$19.6 as of Feb.1, 2001). This relatively low rate make tolling unprofitable. That is why such income from operations amounted only for 2% of the total income.

Production and commercial activity. Final products of the company are gasoline of A-80, A-85, AI-92 and AI-96 grades, diesel fuel, aviation and burning kerosene, fuel oil, heating oil and liquefied gas. Total output of products as a result of processing is 93% including gasoline - 18% and liquefied gas - 1%. Output of diesel fuel and fuel oil is defined by used mode of processing: summer mode - 33 and 41%, winter - 26 and 48%.

Production of oil products (thousand tons)

Name of product	1997	1998	1999	2000
Gasoline	872	793	797	620
Diesel fuel	988	1,011	961	857
Fuel oil	1,195	1,398	1,334	1,286
Kerosene*	148	140	14	20
liquefied gas *	27	50	82	94
Heating oil	0	0	2	0
Total	3,230	3,391	3,190	2,876

Produced goods are shipped to customers through loading rack into railroad or automobile tanks. Major part of goods are transported using railroads. Four special racks are used for this purpose (gasoline, diesel, oil and fuel oil racks). SHNOS sells oil products directly from the refinery through branch offices, owned or rent filling stations (FS). All shipments of goods are made on prepayment basis.

There are seven branches that fulfil demand of seven regions: Akmola, Almaty, South Kazakhstan, Jambyl, Kyzyl-Orda, Karagandy and Ust-Kamenogorsk regions. The branches sell products through owned (Almaty, Taraz) or rent oil depots. The retail network includes FS in South Kazakhstan, Jambyl and Akmola regions.

Major part of oil products is sold on the domestics market. Important consumers are industrial and agricultural enterprises, power stations, air companies and FS. The share of export is relatively small while still growing: in 1998, exports amounted to 159 th. tons or 2.7% of oil products, 2000 - 288 th. or 4.4%. Major share of export goes to Ukraine and Lithuania (33 and 30% correspondingly).

Major domestic markets for oil products are Southern regions of Kazakhstan: Almaty, South Kazakhstan, Jambyl, Kyzyl-Orda and East Kazakhstan regions. These regions take 36% of area and 46% of total population of Kazakhstan.

Oil exports. SHNOS OJSC has had export quotas set by Minister of Power Resources, Industry and Trade. In late 1999 (beginning of 2000) SHNOS exported oil shipped from HKM. It provided 43% of total revenues. Major part of exports were transported through seaports of Black sea.

MARKETS AND COMPETITION

SHNOS OJSC absorbs main part of the market in the southern regions. There are only two domestic competitors of the refinery: Atyrau oil refining plant (AORP) and Pavlodar oil-chemical plant (POCP). Foreign competitors are Russian facilities located near northern border of the republic (Samara, Orsk and Omsk refineries).

Trend for lowering of capacity utilization at Kazakhstan refineries has been observed in Kazakhstan during last decade. This trend is explained by fall in domestic demand, increase of competition, significant differences between domestic and world oil prices. The declining trend was pronounced in last two years. If in 1999 it was linked to sharp fall of world oil prices (companies were forced to export oil to lower losses), then in 2000 high world prices forced oil producers to export to maximize profit.

Pavlodar refinery. Annual capacity - 7 mln tons. It is the biggest oil refinery in Kazakhstan. The refinery was launched in 1978, refining level reaches 70%. In November 2000 the control stake (51%) of the refinery was transferred to Mangistaumunaigas OJSC. The oil is delivered using Pavlodar-Omsk pipe-line in accordance with oil substitution agreements with Russian producers. Small volume of oil is delivered from Caspian and Turgai basins. During last few years oil was delivered using substitution schemes of Mangistaumunaigas OJSC and Aktobemunaigas OJSC that have shipped oil to Russia through Atyrau-Samara and Kenkiyak-Orsk directions while Russian companies ship equivalent at Omsk-Pavlodar direction. As Omsk-Pavlodar pipe-line is the only source of oil for Pavlodar refinery, the plant experience dependence from Russian producers. Closeness of Omsk refinery, one of the biggest processing capacities in Russia, explains strict competition with Russian products.

Atyrau refinery. The oldest refinery in Kazakhstan. It was put into operation in 1947. It has been modernized several times during 60-80th. Atyrau refinery is located in the center of oil reach region. It mostly refines domestic oil. The oil is supplied using pipe-line from major oil companies of Western Kazakhstan. At present, the refining level of the facility is 59% (close to SHNOS). The refinery's equipment does not allow to produce high-grade gasoline or kerosene. NOC KAZAKHOIL holds 86% of shares of the refinery. KAZAKHOIL plans to conduct throughout modernization of refining facilities and increase quality of products. Management of SHNOS considers that this modernization can take 3 to 4 years.

Comparable description of oil refineries in Kazakhstan

Indicators for 2000	Atyrau refinery– Western region		Pavlodar refinery– Northern region		SHNOS – Kazakhstan Southern region		
	tons, mln	%	tons, mln	%	tons, mln	%	tons, mln
Capacity	5	26	7.5	38	7	36	19.5
Oil processing	2.2	32	1.1	11	3.1	57	6.4
Utilization		44		15		43	
Demand	0.9	14	3.0	46	2.6	40	6.6*
Production of oil and gas condensate	31.3	89	0	0	4.0	11	35.3

* – demand is given considering volume of sales (information of SHNOS) and import of oil-products from Russia.

Import of oil products. Major imports of oil products come from Russia. In 1999 Kazakhstan imported 479 th tons of oil products; 2000 - 900 th. including 483 th tons of gasoline, diesel fuel - 212 th tons, fuel oil - 124 th. tons and kerosene - 124 th tons. SHNOS noted following reasons for rapid growth of imports: three month delay of Atyrau refinery in spring 2000, low prices of Russian producers, abolition of excise duties on import in July 2000.

Existing facilities are three higher than domestic demand, nevertheless low capacity utilization and excessive supply of products from Russia seriously affects market composition. Major supply comes from Orsk refinery and covers mostly northern regions of Kazakhstan. According to the SHNOS, Russian producers mostly supply items that are not produced (or produced in limited volumes) in Kazakhstan (lubricants, bitumen, high grade gasoline).

SHNOS is protected from competition as it supplies products to southern regions where import is insignificant. Only sharp disturbances related to exchange rate differentials (KZT/RUR) could bring sever competition for SHNOS as it has taken place in 1998.

Among other competitors are Uzbekistan refineries located in Ferghana and Bukhara. During last five years SHNOS has not met any competition from Uzbekistan producers. Neither it had any commercial links with them. This is mainly explained by foreign exchange restrictions in Uzbekistan and high utilized capacity of southern rail roads. According to SHNOS, advantage of additional sales market and raw material supplies that could appear as a result of liberalization of Uzbekistan economy might outbalance negative effects of competition.

DEVELOPMENT STRATEGY AND INVESTMENT PROJECTS

Integration with HKM. According to the Hurricane Hydrocarbons management integration of SHNOS operations with HKM would provide flexible reaction of the company on changes in domestic and external economic conditions. The companies could select their tactics and orientation on domestic or external markets. Besides, participation in the Group could mean stable oil supply for the refinery.

Besides acceleration of sales on the domestic market, the group plans increase oil export (non-CIS countries). The group intends to cut transportation cost by concluding substitution agreements with companies in the western regions.

The group also plans to introduce programs on lowering of oil production and processing expenses at Shymkent refinery. For instance, companies will optimize activity of SHNOS and HKM regarding integration of outlets and filling stations of both companies.

Modernization. One of the foreground task of investment activity is modernization of reprocessing facilities. It would increase output of profitable light fractions (gasoline and diesel fuel). In this respect major prospective undertaking will be launching of catalytic cracking installment. Launching of this facility would also increase production of light-end products. This complex include hydrorefining of vacuum gasoil, methyl tributyl ether and hydrogen facilities. The project's cost is \$80 mln. Previously, the company informed that construction was 60% underway in 1997, and that another \$120 mln have been required to complete construction. This sum consisted of expenses for acceleration of sales of light-end products (their production might have increased 1.8 times). At present, the project is laid up because of low demand.

The company intends to complete second stage of diesel fuel deparaffination project. Initial cost is \$1.0 mln. This project will bring quality of fuel to European standards.

Another important project is reconstruction of carbonization facility (thermal cracking of fuel oil, second stage). Modification would allow to transform process of retard carbonization into light thermal cracking of fuel oil. Further reconstruction would increase naphtha output up to 7-8% and diesel fuel up to 22%. The cost of modernization is \$0.25 mln.

SHNOS also plans to set up autonomous steam supply construing its own boiler-house. Project cost - \$4.1 mln. Besides, company plans invest funds into automatic control system and hydrorefining of aviation fuel as well as other projects.

FINANCIAL STATEMENT DATA

SHNOS OJSC makes its financial statements in compliance with the Kazakhstani accounting standards (KAS). After the auditing of the company's 1997 financial statements conducted by Arthur Andersen (Almaty, Kazakhstan), the statements submitted to the Exchange by the issuer are made based on the auditor's standards. As a result, financial and economic ratios calculated by the company and independent auditor match each other.

Following is the table created by the KASE specialists based on non-audited financial statements of the issuer (in KZT, thousands unless otherwise specified). They were made in compliance with the KAS requirements; data of issuer's financial statements, which were audited by Arthur Andersen and those audited by Kazakhconsulting.

(in th KZT, unless otherwise specified)					
Index	As of Jan 1'98 by KAS	As of Jan.1 '98 by Arthur Andersen	As of Jan.1 '99 by Arthur Andersen	As of Jan.1 '00 by Arthur Andersen	As of Oct.1 '00 by Kazakh- consulting
Authorized capital (paid)	83,097	83,097	83,097	83,097	83,096
Shareholders' equity	10,848,924	8,866,016	11,301,652	14,357,386	26,647,533
Total assets	11,289,473	10,563,656	12,880,517	17,884,068	31,202,968
Working capital	2,429,531	1,968,736	3,603,681	6,737,230	18,723,331
Doubtful debt reserves	-	540,761	860,751	463,677	2,426,967
Accounts receivable	1,568,907	785,184	3,167,897	3,591,950	22,416,339
Accounts payable	440,550	1,697,640	1,578,865	3,350,907	4,269,934
Operating cash flows		-720,117	63,021	8,226,349	-2,284,975
Sales	15,250,823	13,592,322	18,705,022	31,827,675	56,887,184
Net income	2,511,988	1,899,108	2,399,269	8,415,980	12,290,495
Book value of a share, KZT	13,055.75	10,669.49	13,600.57	229.67	426.27
Return on sales (ROS), %	28.18	31.89	28.77	48.64	39.14
Return on assets (ROA), %	23.15	17.98	18.63	47.06	39.39
Return on equity (ROE), %	22.25	21.42	21.23	58.62	46.12

In the opinion of Arthur Andersen, financial statements of the company give a reliable and objective representation of financial situation of SHNOS OJSC in 1997 - 1999, as well as results of its activities and cash flow statements for indicated periods according to Kazakhstani Accounting Standards.

In 9 months of 2000 accounts receivable of SHNOS OJSC grew by KZT18.4 bln, reaching KZT22.4 bln. Most of the growth is attributable to the increase in liabilities of the companies of the Group led by the Canadian Hurricane Hydrocarbons (Hurricane Hydrocarbons Ltd., head office is in Calgary, Alberta, Canada) to SHNOS

OJSC: KZT10.7 bln is other receivables of Hurricane Hydrocarbons (to mature on March of this year), KZT5.1 bln - current liability of Hurricane Kumkol Munai (Kyzyl-Orda). Doubtful debt reserves of SHNOS OJSC were at KZT2.47 bln as of October 1, 2000. The most of the debt, classified by SHNOS OJSC as bad debt, is the debt of Energoproekt LLP (Almaty) for amount of KZT1.664 bln.

THE COMMENTS OF THE KASE LISTING COMMISSION

Participation in the group

One of the main features of SHNOS OJSC activities now is that it is a part of vertically integrated group of companies, which is engaged in the extraction, processing and sale of oil and sale of oil products (hereafter - Group). The Group is lead by the Canadian Hurricane Hydrocarbons. The participation in the Group gives a number of advantages to SHNOS OJSC related to the ability of optimizing the production and sales, stability in raw materials supplies and others. Besides, the participation in the Group sets a number of specific risks for the company related to the redistribution of the profit and investments within the Group.

Redistribution of income within the Group. In late 1999 and during the first three quarters of 2000 SHNOS OJSC was directly supplying crude oil to exports, which provided it with noticeable revenues. By the results of three quarters of 2000 the revenues from oil sales equaled KZT24.4 bln, or 43% of total revenues. Gross profit from oil sales (including cost of goods sold) reached KZT12.95 bln, or 54% of gross profit. Based on the data presented to the KASE, beginning from this year Hurricane Kumkol Munai will be directly handling oil exports. It should reduce the income of SHNOS OJSC noticeably.

Redistribution of the investments within the Group. By buying the shares of SHNOS OJSC Hurricane Hydrocarbons assumed all the obligations to make capital investments (using its own and attracted funds, or company profits) for at least \$150 mln till December 31, 2001. As of December 31, 2001 total investments reached \$87.1 mln. For the rest of the obligations the management of Hurricane Hydrocarbons plans, particularly, to get the prolongation of the term for making the investments, as well as the approval of the Kazakhstani government on transferring part of the investment obligations to Hurricane Kumkol Munai. In case if the obligations to make investments into SHNOS OJSC will not be met completely, Hurricane Hydrocarbons will be obligated to pay \$15 mln fine based on initial terms, or \$10 mln based on current estimates of Hurricane Hydrocarbons management.

Increase in accounts receivable. In 9 months of 2000 accounts receivable of SHNOS OJSC increased by KZT18.4 bln, reaching KZT22.4 bln. At that, most of the growth (86%) is attributable to the increase in current liabilities of the companies of the Group to SHNOS OJSC: KZT10.7 bln is initial receivables of Hurricane Hydrocarbons (to mature on March of this year), KZT5.1 bln - current liability of Hurricane Kumkol Munai. It should be noted, however, that first of all, sales revenues are reflected at SHNOS OJSC on accrual basis. Second, SHNOS OJSC did not provide the information on the nature of the accounts receivable from Hurricane Hydrocarbons for KZT10.7 bln (about \$70 mln). It can be assumed that this amount was used to pay off its own debt by Hurricane Hydrocarbons. The source of the funds used to pay off the debt of Hurricane Hydrocarbons to SHNOS OJSC is not clear. The growth of accounts receivable during the first of three quarters in 2000 is explained by the fact that despite a net income of KZT12.3 bln received by the plant, operating cash flows were negative KZT2.3 bln.

Issued guarantees. In 1999 and in early 2000 Hurricane Hydrocarbons was under the protection of the Canadian law from the lenders due to a default on debt liabilities. After restructuring the debts on March 31, 2000 Hurricane Hydrocarbons was released from the protection based on the terms of Debt restructuring plan. Under this plan SHNOS OJSC issued guarantees in favor of the lenders of Hurricane Hydrocarbons for the amount of unpaid debt. As of Jan 1, 2001 Hurricane Hydrocarbons has paid a total of \$174.67 mln out of debt liabilities of \$198.57 mln. The management of SHNOS OJSC considers that Hurricane Hydrocarbons can pay off remaining liabilities of \$23.9 mln.

Change in the law

Extraction and processing of oil is the industries with high degree of state regulations. It means systematic adoption of additional regulatory resolutions by the government, revisions of laws, changes in export quotas, tariffs on oil processing on mutually agreed terms and on transportation of oil and oil products.

On January 5, 2001 the Law "On state control on the use of transfer pricing" was enacted. Based on the Law, if the price of the deals deviates more than 10% in any direction from the market price, customs should inform the tax authorities and pass them materials necessary to charge taxes, fines according to the law. This law can affect the main activities of the Kazakhstani oil exporters, including Hurricane Hydrocarbons. This law does not influence the activities of SHNOS OJSC directly (based on presented information, from November 2000 most of the exports is handled by Hurricane Kumkol Munai). But, it can have impact on financial situation of SHNOS OJSC through redistribution of funds within the Group.

Change in export quotas

In late 1999 the government of Kazakhstan took measures on limiting the oil exports in order to increase the supplies to domestic oil refineries. In April 2000 export restrictions were lifted, though on August 2, 2000 the

government of Kazakhstan issued a resolution #1172 "On some matters of stabilizing the domestic market of oil products". The purpose of this resolution is the regulation of domestic oil products market in Kazakhstan, which should be attained by setting monthly crude oil supply schedules to domestic refineries for all oil producing companies. This resolution can have a positive impact on the activities of SHNOS OJSC, since it should bring additional sources of raw materials.

Sufficiency of oil reserves

Most of the oil is supplied to SHNOS OJSC from Turgai sag. The presence of the oil pipeline and small distance to the oil fields are an important moments in providing efficiency of oil producing and processing complex. Based on the data of SHNOS OJSC, total proved (explored) extractable reserves of oil that belong to the group of Hurricane Hydrocarbons companies, equaled 31.6 mln tons as of January 2000. Considering the extraction of the year 2000 (3.334 mln tons) they fell to 28.2 mln tons. If the extraction is kept at current levels these reserves would be sufficient for 8.5 years. The reserves and the duration of the exploitation of the fields can be increased after the next assessments, since the last assessment was conducted in 1999, when oil prices were lower than they are now. On the other hand, increase in oil and oil products exports planned by the management of the Group will require an increase in the production, hence, can reduce the development term.

Relatively short exploitation term of Turgai sag fields makes it necessary to invest significant amounts of funds into exploration-survey works and (or) increase the oil extraction on currently developed fields, as well as obtaining new licenses on mineral resources use. Considering the limited reserves of oil in the region, it can be assumed that in long run SHNOS OJSC and other members of the Group will be forced to buy oil and gas condensate from more remote areas (Western Kazakhstan, Western Siberia, Turkmenistan), which can increase the cost of the products.

Oil price fall

Considering the fact that oil exports account for more than half of the Group's income, with SHNOS OJSC being part of it, it can be assumed that decrease in world oil prices can have a deep impact on the company's activities. Under a constant growth in demand for the oil and the measures taken by the OPEC countries to support the prices, big drop in prices is unlikely in near future in the opinions of the most of the experts. Moreover, as a member of vertically integrated group, SHNOS OJSC to some degree is insured against price fluctuations by the ability to redistribute the funds depending on the situations on external and internal markets.

Change in exchange rates of tenge and Russian rouble

Since most of the operating expenses of SHNOS OJSC is fixed and not under a strong dependence on the processing volumes, as well as considering the fact that crude oil sales are made by Hurricane Kumkol Munai, the income of SHNOS OJSC is almost directly proportional to the processing volumes. Therefore, for the company to maintain its profitability the plant should be loaded sufficiently, which is possible only if the demand is sufficient. Sharp acceleration of the devaluation of tenge and corresponding growth of the prices can lead to a decrease in demand for oil products on domestic market of Kazakhstan, which is a high priority to SHNOS OJSC. On the other hand, sharp devaluation of the rouble (as it happened in 1998) increases the competitiveness of the Russian oil products on the Kazakhstani market, which can also decrease the demand for the products of SHNOS OJSC.

COMMENTS OF THE IRBIS AGENCY

The agency IRBIS (Almaty) emphasizes that presented information and the conclusions are taken from the reports of the KASE listing commission, and are not the result of the research conducted by the IRBIS specialists and were not checked by the employees of the agency. The management of SHNOS OJSC and the KASE take all responsibility for submitted information.

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