

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

TOP STORIES

Economic News

- Kyrgyzstan's Public External Debt Reaches \$2.5bn Early Nov.
- 30% of Public Sector workers cut and 600M KGS Saved
- NBKR Pledges to Ensure Stability of National Currency

Industry News

- New Discoveries Push Expected Life of Kumtor Mine to 2017
- Cameco Sold its Full Stake in Centerra Gold

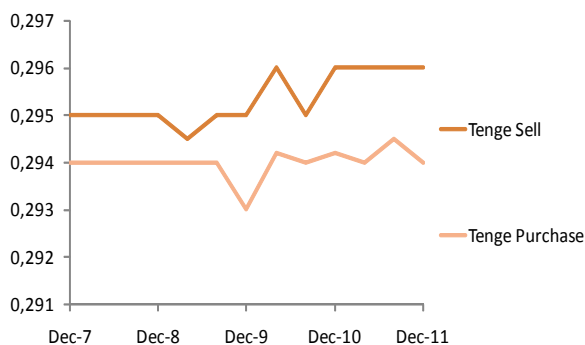
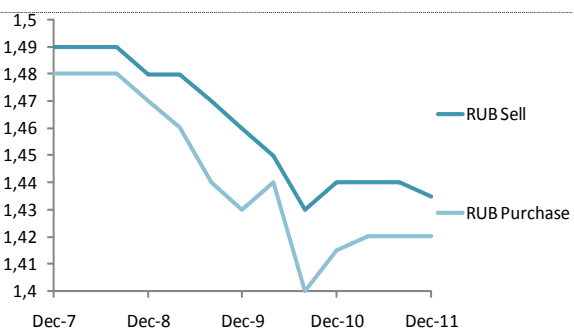
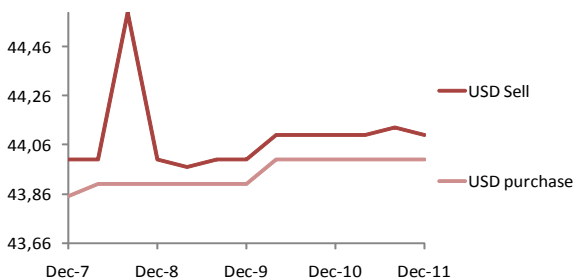
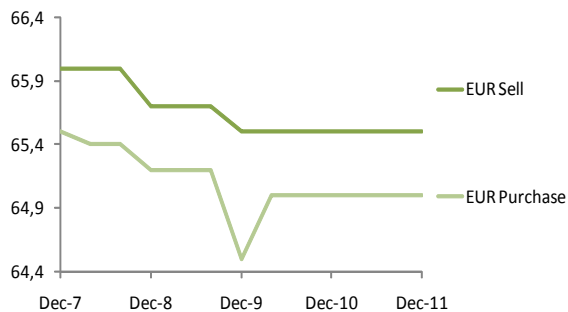
Investment News

- Kyrgyz Gov. Intends to Attract \$1bn in Investments in 2010
- MGN Experts Give Seminar on Investments Opportunities in Kyrgyzstan

Stock Market

- Auctions of Government Treasury Bills

Changes in Major
Currency Rates
December 7 - 11, 2009

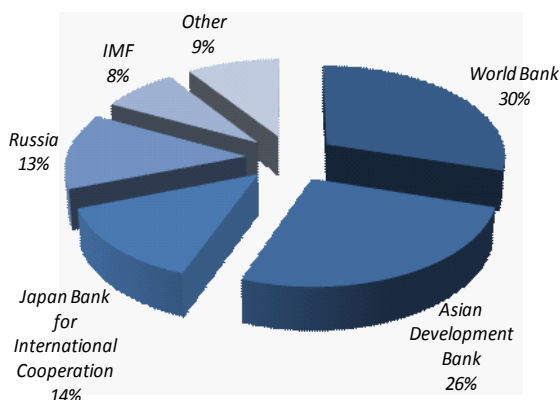


WEEKLY UPDATE

December 7 -11, 2009

Economic News

KYRGYZSTAN'S
MAIN CREDITORS



Kyrgyzstan's Public External Debt Reaches \$2.5bn Early Nov.

By early November, the public external debt of Kyrgyzstan reached \$2.49bn.

The soft loans (multilateral and bilateral borrowings) constitute \$2.24bn in the structure of the public external debt, which is 89.6%.

The main creditors include the World Bank — 29.7%, Asian Development Bank — 26%, Japan Bank for International Cooperation — 13.6%, Russia — 13.4% and the IMF — 7.8%.

Non-privileged loans (multilateral and bilateral) constitute \$259.9m or 10.4% in the structure of the public external debt. The biggest non-privileged creditors of Kyrgyzstan include Russia with \$193.6m and the Export and Import Bank of Turkey with \$49.8m.

30% of Public Sector Workers Cut and 600M KGS Saved

600m KGS will be saved as a result of reduction of public servants Prime Minister Daniar Usenov said. The saved funds will be directed to Development Fund for financing projects where the public servants can find jobs. These funds can be used by public servants for starting up their own business.

NBKR Pledges to Ensure Stable Rate of National Currency

NBKR Chairman Marat Alapaev said that all necessary measures will be taken to maintain stability of KGS. In case of any fluctuations the National Bank will act as a buyer or seller to remove these fluctuations. Currently NBKR finds the exchange rate of the KGS stable. KGS has remained at about 44 against the dollar and we expect maintenance of this level.

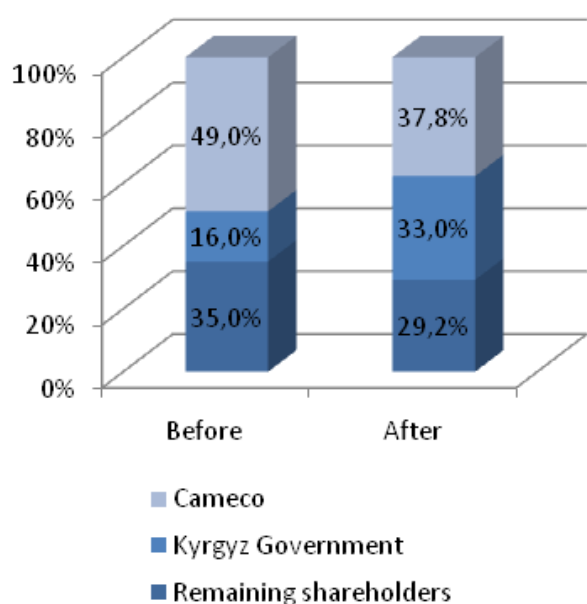
WEEKLY UPDATE

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Industry News



STRUCTURE OF SHARES BEFORE AND AFTER CLOSING AN AGREEMENT



Financial Highlights	
	9M2009
Revenue (\$ millions)	427
Gross profit (\$ millions)	21
Gross profit %	5
Realized price (\$US/ounce)	928
Sales volume (ounces)	390 000
Gold production (ounces) ¹	380 000

¹ Represents 100% of production from the Kumtor and Boroo gold mines.

New Discovery Push Expected Life of Kumtor Mine to 2017

Centerra Gold Inc. said that 1.3mln ounces of gold reserves have been added at its Kumtor mine, extending the project's open-pit mine life to 2017, reported The Canadian Press.

The discovered were revealed after processing approximately 409,000 ounces at Kumtor mine. Now probable mineral reserves total 4.9mln ounces of contained gold.

Centerra also said that reserves at its Boroo mine in Mongolia increased by 25,000 ounces of contained gold before accounting for processing of approximately 188,000 ounces of gold in the Boroo mill and heap leach pad.

A gold price of 825 USD per ounce was used for all of the updated Kumtor and Boroo reserve and resource estimates, compared with 675 USD per ounce as of Dec. 31, 2008.

Cameco Sold its Full Stake in Centerra Gold

Cameco Corporation, the world's second-largest uranium producer, agreed to sell its stake in Centerra Gold Inc. for about C\$872 million (\$820 million), fulfilling a pledge to focus on uranium and nuclear energy.

The transaction includes the sale of 88.62 million Centerra shares to the public at C\$10.25 through underwriters led by CIBC World Markets and RBC Capital Markets, Saskatoon, Saskatchewan-based Cameco said yesterday in a statement.

"The big political issues that have hung over Centerra like a plague have been resolved," David Davidson, a Toronto-based analyst at Paradigm Capital Inc., said yesterday in a telephone interview. Cameco Chief Executive Officer Jerry Grandey said last month the company was undecided about whether to sell the stake in Toronto-based Centerra to a strategic buyer or through a secondary offering. "The thing that probably pushed them to do a deal now was the realization that gold isn't going up in a straight line," Davidson said.

Cameco also said yesterday it will transfer 25.3 million shares to Kyrgyzaltyn JSC under an April agreement with the Krygyz government.

Cameco intends to use the net proceeds "primarily to grow its core uranium business as it pursues its target of doubling uranium production," the company said in the statement.

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Investment News

Kyrgyz Gov. Intends to Attract \$1bn in Investments in 2010

The Government of Kyrgyzstan intends to attract investments in 2010 valued at US\$1bn. The given investments will be spent for construction of Datka substation, Datka-Kemin power transmission line, installation of gas, electric and heating counters for the population, Prime Minister Daniar Usenov said at the government session today.

“We will make all possible to raise these funds,” PM Usenov added.

MGN Experts Give Seminar on Investments Opportunities in Kyrgyzstan

The leading managers of MGN Group, the financial investment holding, talked about the best ways to invest during an economic crisis at the asset structuring seminar held on December 3. The event was attended by 32 guests including representatives of large enterprises and heads of banks’ dealer departments.

According to Michael Fox, Managing Director of OJSC MGN Asset Management, the key mistake being made in the process of capital investment is a complete lack of diversification, i.e. investing in various asset classes. “The financial crunch witnessed in the 90-s was caused by endemic buying of Internet-related companies’ shares. The current crisis is a result of massive investments in real estate”, noted Michael. “This disrupted the key principles such as asset allocation and analytical approach in portfolio composition”. A possible solution to the problem is to develop a customized investment strategy depending on the investment period and risk acceptance. Local and global market investment tools are then chosen pursuant to the adopted strategy. Recommendations were also given to corporations to perform planned cash flow and liquidity management by way of risk hedging.

Julia Massenkoff, head of OJSC MGN Capital Broker & Dealer Department, in turn elaborated on the most popular financial instruments. The focus was placed on Eurobonds and ruble bonds, along with their benefits and drawbacks. “Eurobonds are rightfully considered to be among some of the most reliable financial instruments. They possess assigned international rating, offer fixed coupon yield and discount. Unfortunately, this instrument is not represented on Kyrgyz exchanges but select companies, including ours, have the capacity to provide access to global trading platforms”, she noted.



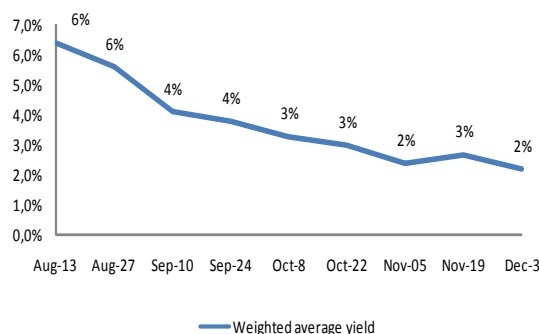
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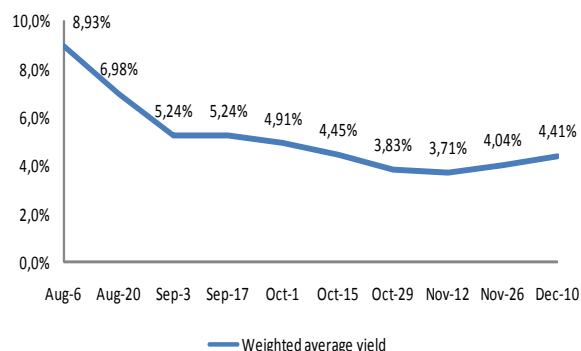
Stock Market

CHANGE IN WEIGHTED AVERAGE
RETURN ON GTBs
December 7 - 11, 2009

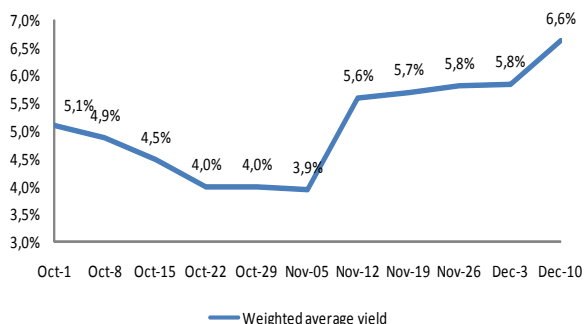
3-month GTB



6-month GTB



12-month GTB



Auctions of Government Treasury Bills

Weighted average return on 6-month GTBs at the close of the last trading on December 10, 2009 amounted to 4.41%, which is 0.43 percentage points higher than the last sale two weeks before. 30mln KGS worth of 6-month maturity GTBs were put up for sale on. The demand reached 71.13mln KGS.

There were no sales of 3-month GTBs for the reporting period (December 7-11). On December 3, 2009, 25mln KGS worth of 3-month maturity GTBs were put up for sale. Demand reached 155.66mln KGS. Weighted average return on 3-month GTBs amounted to 2.19%.

With regards to 12-month GTBs, their sales reached 60mln KGS, while demand amounted to 72.7mln KGS. Weighted average return on 12-month GTBs amounted to 6.63% which is 0.79 percentage points higher than the last sale week before.

Type of securities	Date	Demand ('000 KGS)	Sale ('000 KGS)	Min yield	Max yield	Weighted average yield
3-month GTB	Oct-22	95 240	30 000	2.59%	3.71%	2.99%
	Nov-05	91 790	25 000	2,31%	3,23%	2,39%
	Nov-19	54 140	25 000	2,19%	2,99%	2,67%
	Dec-3	155 660	25 000	1,99%	2,31%	2,19%
6-month GTB	Oct-15	144 095	40 000	4.41%	4.49%	4.45%
	Oct-29	107 780	50 000	3.61%	4.00%	3.83%
	Nov-12	15 160	15 160	3,50%	4,49%	3,71%
	Nov-26	42 422	30 000	3,50%	5,01%	4,04%
	Dec-10	71 130	30 000	3,61%	5,01%	4,41%
12-month GTB	Oct-15	79 890	50 000	4.40%	4.60%	4.48%
	Oct-22	89 370	30 000	4.00%	4.00%	4.00%
	Oct-29	22 490	22 490	3.80%	4.30%	4.00%
	Nov-05	47 670	47 670	3,70%	5,10%	3,94%
	Nov-12	9 250	9 250	3,94%	6,00%	5,59%
	Nov-19	63 620	60 000	4,00%	7,00%	5,70%
	Nov-26	70 890	60 000	4,00%	6,50%	5,82%
	Dec-3	79 310	60 000	4,00%	7,00%	5,84%
	Dec-10	72 700	60 000	4,50%	7,00%	6,63%

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MGN Research

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

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