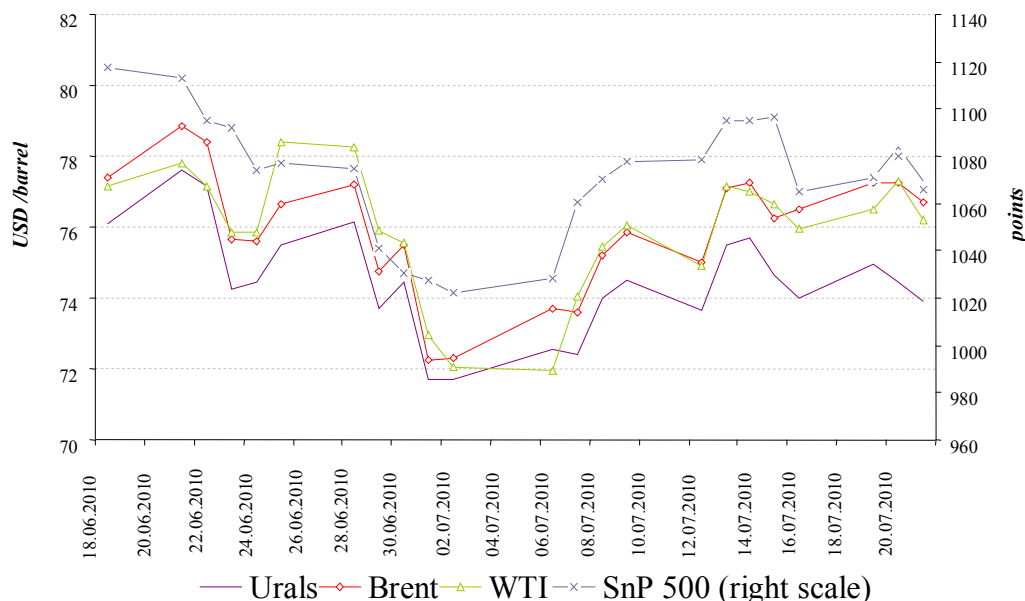


Oil market

Current state in the oil market

In the course of the oil market monitoring conducted within the period from 18.06.2010 till 21.07.2010 the price for major oil grades (Urals, Brent, WTI) was fluctuating within the range from \$71.7 to \$78.9 per barrel. In general, the oil market remained stable enough, following the dynamics of the stock markets (broad market index - S&P 500).



The dynamics of the oil market suffered the influence of macroeconomic data from USA: the growth of industrial production, as well as the tendency to reduce the quantity of primary applications for unemployment benefit. At the same time demonstrating the negative dynamic index of business activity in major regions of the United States that virtually graded the positive mood of the market with regard for the recovery of demand for oil.

Meanwhile, oil demand in China continues to strive for new highs. Thus, the volume of oil refining at Chinese refineries¹ updated historical maximum (8.6 million barrels per day), having increased by 10.7 percent in annual terms. Growth in oil demand from China continues to follow confidently uptrend.

Speech by the chairman of U.S. Federal Reserve System in the Senate in frame of the mid-year report helped to capital outflows from high-risk commodity assets (oil, food, etc.). The chairman of the U.S. Federal Reserve informed about possible large-scale implementation of mortgage bonds, acquired by the Fed under the state anti-crisis program. Such a step could lead to a significant reduction in liquidity (including commodity markets).

Based on the results of the auction held in July 21, 2010 the prices on the transactions with oil futures were the following (USD/barr.):

- WTI (September) – \$76.56;
- Brent Crude (July) – \$75.37.

Based on the results of monitoring conducted in the period since 18.06.2010 till 21.07.2010 average prices (USD/barr.) for the major oil grades were the following:

| Urals | Brent | WTI |
|-------|-------|------|
| 74.5 | 75.9 | 75.9 |

Source: Reuters

Forecasts for short- and mid-term prospects

According to new estimates, a barrel of oil in 2010 would cost an average \$75.3 and in 2011 - 77.5 U.S. cents. This is significantly low than in April forecast which equaled to \$80 and \$83 respectively.

¹ Oil-refinery plant

At the same time, forecasts of price indexes of non-fuel commodities have remained generally unchanged. The IMF also stresses that inflation pressures will remain declined while in some developed countries the risks of deflation remain actual, reports the news agency "PRIME-TASS".

The International Energy Agency (IEA) raised its estimate for world oil demand in 2010 to 100 thousand barrels per day compared with the forecast presented in June 2010 to 86.5 million barrels per day. Thus, the IEA forecast for 2010 exceeds the figures in 2009 for 2.1 per cent or 1.8 million barrels per day.

In 2011, the IEA expects oil demand in the world will grow by 1.6 per cent compared with 2010. According to IEA, the main growth in demand will be provided by countries outside the OECD (non-OECD countries). In 2011 the demand in these countries will grow by 3.8 per cent, while the OECD demand will decline by 0.5 per cent.

OPEC

According to RIA "Novosti" with reference to OPEC July report, the forecast for oil demand in 2010 was minimally adjusted and decreased by 100 thousand barrels per day as compared with last month forecast - up to 85.36 million barrels a day.

Thus, compared with 2009 oil demand growth will constitute 1.1 per cent or 950.000 barrels per day due to increased demand in countries *outside* the OECD (non-OECD countries).

In 2011, OPEC expects world GDP growth at 3.7 per cent. In 2011, OPEC experts predict the demand for OPEC oil in the amount of 28.8 million barrels per day, i.e. by 0.2 million barrels per day more than in 2010.

the USA

According to the information submitted in the report of the US Department of Energy, the weekly volumes of the US oil and oil products from July 12 till July 16 were characterized by the following changes:

(million barrel)

| № | | Crude oil | Gasoline | Heavy distillates (fuel oil, diesel oil) | Crude oil import (mln. barr./day) |
|---|----------------------------|-----------|----------|--|-----------------------------------|
| 1 | Increase(+) Decrease(-) | +0.4 | +1.1 | +3.9 | +0.7 |
| 2 | Total: | 353.5 | 222.2 | 166.6 | 10.0 |

Source: RBC

Russia

According to News Agency "RBC" with reference to the government law on customs and tariff regulation, from August 1 the export duty shall be the following:

- crude oil – \$263.8 per ton (+6.0 per cent);
- light oil products – \$190.0 per ton (+5.6 per cent);
- dark oil products – \$102.4 per ton (+5.7 per cent).

According to the Minister of Finance of Russian Federation within the next three years, the oil price could decrease by \$60 per barrel, while staying at this level for quite a long time, reports RIA "Novosti".

At the same time, the Minister noted that the budget deficit of Russia largely depends on the level of oil prices. At that reminding that according to the forecast of the Ministry for Economic Development of Russia the federal budget deficit in 2010 will constitute 5.4 per cent of GDP with oil prices at \$75 per barrel.

Kazakhstan

The government of Kazakhstan has supported the initiative of the Ministry of Oil and Gas of Kazakhstan to extend the ban on exports of fuels and lubricants (POL) till November 1, 2010, reports News Agency «Kazakhstan Today». The measure applies to all types of fuel and is designed to protect domestic market from the increase of excessive prices for fuel during the field work. Be reminded that the ban was established from May 2010 till July 1, 2010.

Kazakhstan gave up zero duty on crude oil and set a fee in the amount of \$20 per ton. On July 13, 2010 the Government of the Republic of Kazakhstan signed the decree, reports News Agency «Reuters». In this regard according to the

representatives of the Ministry for Economic Development and Trade, duties on oil products will grow by about 20 per cent compared to current rates effecting after the previous increase in April 28, 2010. Thus, the duty on light oil products will grow from \$82.96 to \$99.71 per ton on dark oil products - up from \$55.31 to \$66.47 per ton.

It should be noted that Kazakhstan will not apply the duty on fuel in respect of Kyrgyzstan.

Kyrgyzstan

Prices and data on changes in retail prices for gasoline and diesel fuel as of 15.07.2010 compared to 17.06.2010 are given in per cent equivalent below:

| № | City | A-80 | | AI-93 | | Diesel | |
|---|-------------------------------|------------|--------------------|------------|--------------------|------------|--------------------|
| | | price, KGS | change, in % (+/-) | price, KGS | change, in % (+/-) | price, KGS | change, in % (+/-) |
| 1 | Bishkek | 31.8 | +0.0 | 35.5 | +0.9 | 35.6 | +0.8 |
| 2 | Osh | 37.6 | +10.6 | 40.4 | +9.5 | 37.0 | +5.7 |
| 3 | Jalalabat | 34.0 | 0.0 | 37.7 | -0.8 | 35.5 | -4.1 |
| 4 | Karakol | 31.7 | -3.4 | 34.9 | -0.3 | 34.0 | -0.6 |
| 5 | Naryn | 32.2 | -2.4 | 35.4 | -1.7 | 34.3 | -2.8 |
| 6 | Talas | 30.4 | -4.4 | 32.6 | -6.3 | 32.6 | -6.3 |
| 7 | Tokmok | 32.0 | -3.0 | 35.5 | -0.6 | 35.5 | -1.4 |
| 8 | Batken | 40.3 | +13.5 | 44.5 | +10.4 | 42.2 | +20.6 |
| 9 | Average value in the Republic | 33.8 | +1.7 | 37.1 | +1.5 | 35.8 | +1.5 |

Source: The State Agency on Antitrust Regulation under the Government of the Kyrgyz Republic.

Since August 1, 2010 duty on the import of lubricants from Russia into the territory of the Kyrgyz Republic will increase by 5.6 per cent compared to July 2010 and amount to \$190.0 per ton.

Due to the imposition of duties on fuel, the volume of reexport of jet fuel is significantly reduced, informs News Agency "AKIpress" with reference to the director of "Manas" airport. According to his words, transit aircrafts refueling in Bishkek before, now due to the imposition of customs duties refuel in Kazakhstan.

Table (for reference use): Reexport

| № | (USD million) | 2009 | 5 month 2009 | 5 month 2010 |
|----|---|--------------|--------------|--------------|
| 1. | Total, reexport | 349.8 | 174.8 | 124.4 |
| 2. | Other chemicals | 137.7 | 102.1 | 88.9 |
| 3. | Jet fuel | 150.0 | 55.9 | 13.3 |
| 4. | Gasoil (diesel fuel) | 10.7 | 4.2 | 4.5 |
| 5. | Petroleum and other energy products | 5.1 | 1.9 | 1.0 |
| 6. | Automobiles for special design | 10.6 | 0.6 | 1.5 |
| 7. | Rubber tires | 6.9 | 2.5 | 0.6 |
| 8. | Parts and accessories of motor vehicles | 4.0 | 1.0 | 2.0 |
| 9. | Other | 9.2 | 2.1 | 6.3 |

According to the preliminary data, in 2009 the share of reexports in the structure of total merchandise exports of the Kyrgyz Republic amounted to 30.7 per cent.

Electric energy

Kyrgyzstan

Kyrgyzstan has signed contracts with 5 companies from Kazakhstan for the sale of electricity, reports News Agency "AKIpress" with reference to the Minister of Energy of the Kyrgyz Republic.

According to him, the total electricity sales amount to 2.3 billion kW/h at a price KGS1.32 per 1 kW/h. Thus, the amount of the contract will be approximately \$57 million. The electricity value supplied for export is low than for entrepreneurs of the Kyrgyz Republic, the reason for this is a valid decision of the Government of the Kyrgyz Republic on the import of electricity at a price

equaled to \$0.031 (KGS1.46, at exchange rate of KGS47 per \$1) per 1 kW/h.

According to News Agency “24.kg” with reference to the press-service of Elektricheskiye stantsii OJSC (Electric power stations OJSC), in Kyrgyzstan the volume of water in the Toktogulskoye water reservoir has reached 18.3 billion cubic meters as of July 23, 2010.

| | July 23, 2009 | July 23, 2010 |
|----------------------------|----------------------|----------------------|
| Inflow, cub.m/sec. | 959.0 | 1 186.0 |
| Outflow, cub.m/sec. | 411.0 | 263.0 |
| Volume, mln. cub.m | 7 500.0 | 18 286.0 |

Source: News Agency «24.kg»

The review was organized based on the data of the State Agency on Antitrust Regulation under the Government of the Kyrgyz Republic, News Agency “Akipress”, News Agency “24.kg”, News Agency «Kazakhstan Today», News Agency «Reuters», News Agency «RBC», RIA “Novosti”, News Agency "PRIME TASS".

Appendix 1:

Chart 9: Urals from 01.01.2008 till 21.07.2010

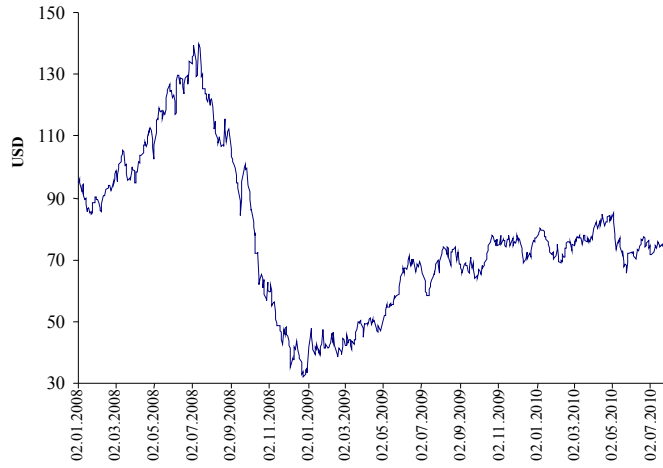


Chart 11: Brent from 01.01.2008 till 21.07.2010

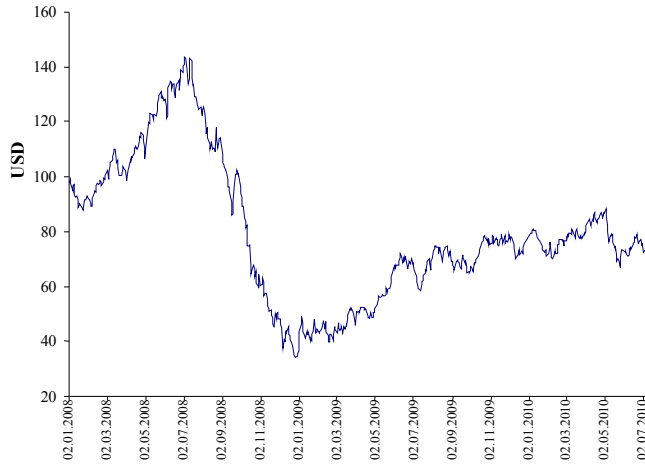


Chart 13: WTI from 01.01.2008 till 21.07.2010

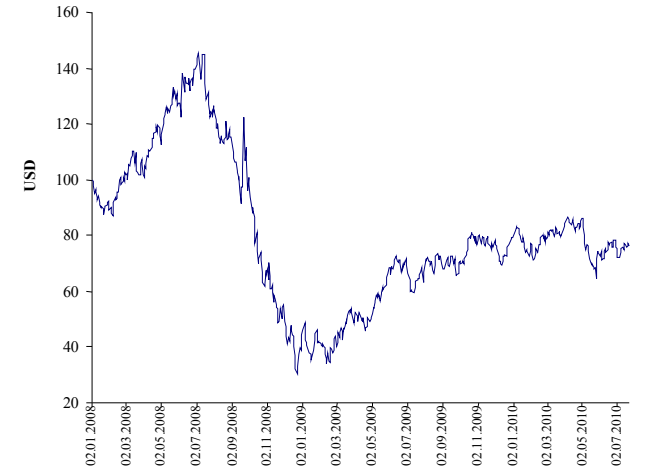


Chart 10: Urals from 21.06.2010 till 21.07.2010

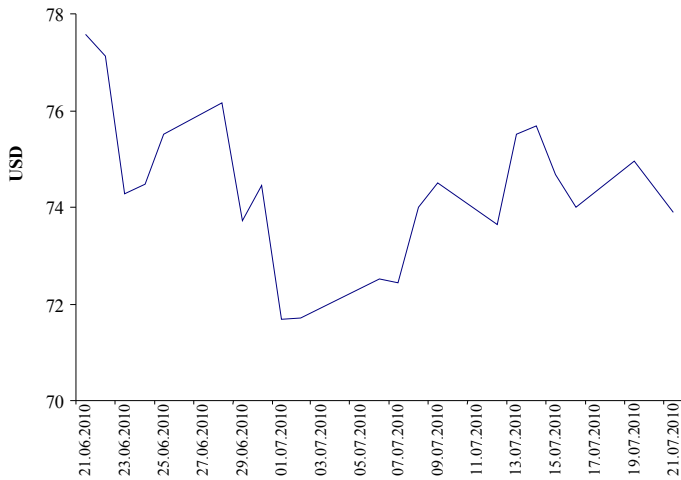


Chart 12: Brent from 21.06.2010 till 21.07.2010

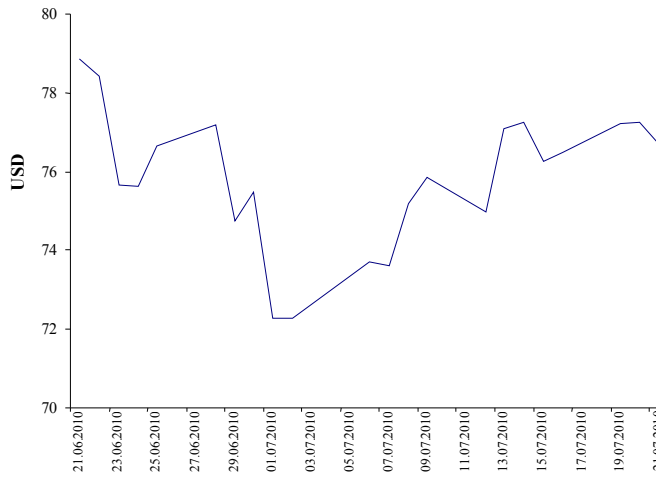


Chart 14: WTI from 21.06.2010 till 21.07.2010

