

Oil Market

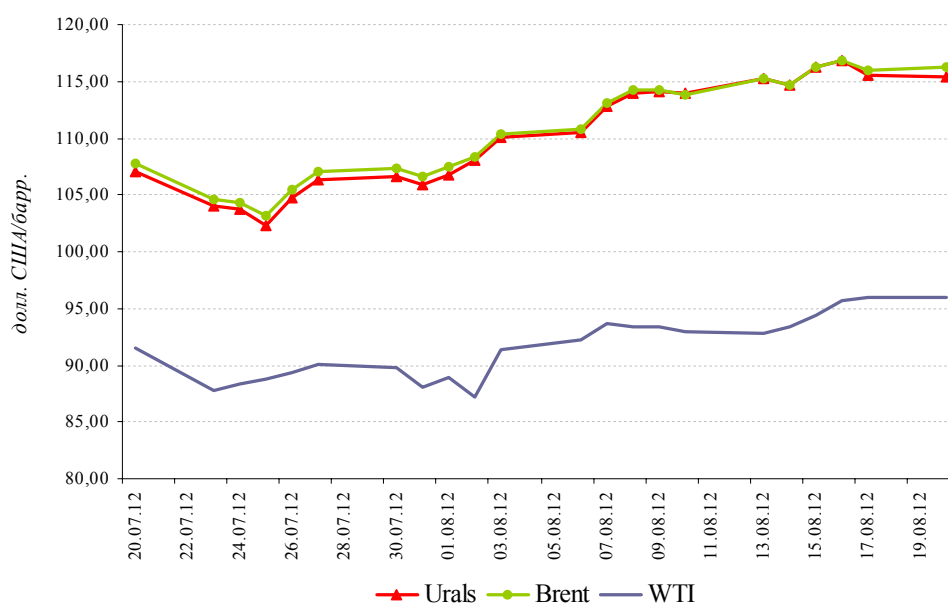
The current state of the oil market

During the monitoring of the oil market from July 20, 2012 to August 20, 2012, the price of the basic grades (Urals, Brent, WTI) ranged from 87.2 - 116.9 U.S. dollars per barrel.

Changes in average oil prices:

average for the period	Urals		Brent		WTI	
	prices, USD / barrel	change, % against previous period	prices, USD / barrel	change, % against previous period	prices, USD / barrel	change, % against previous period
June 20, 2012-July 20, 2012	97,6	97,6	98,3	98,1	84,8	98,3
July 20, 2012-August 20, 2012	110,2	112,9	110,6	112,5	91,6	108,0

Source: Bloomberg



The third quarter of the current year is characterized by an upward trend in world energy prices. Alleged irregular supply of oil from the North Sea, investors' hopes for accelerating growth of the country's economy and, consequently, an increase in demand for oil, as well as the tense situation in the Middle East, have had a significant impact on the dynamics of oil prices.

According to one of the analytical agencies, in September, a sharp drop up to 17 percent compared to August of this year is expected in production of four grades of oil contained in Brent. The reason for decrease in production is a preventive maintenance on platforms in the North Sea and the aging of fields.

Short- and long-term forecasts

Assessing the current situation, ANZ analysts assume that the stabilization of the prices of Brent crude oil at \$110-115 per barrel is expected in the near future. At the same time, in their view, there is a risk that the growing tensions in the Middle East, or a more significant reduction in production in the North Sea will raise prices to \$120 per barrel.

Meanwhile, RBC Capital Markets experts lowered their forecast for oil prices in 2012 and 2013, explaining the decision by the weakening global economy and the improvement in demand in the oil market. The company lowered the forecast for the average price of Brent crude oil in 2012 by \$9 to

\$107 per barrel. Forecast for an average oil price of WTI, traded on NYMEX, has been reduced by \$8 to \$92 per barrel. For the next year, the bank expects that the Brent crude oil will cost \$100 on average, while oil WTI - \$90 per barrel.

The Energy Information Administration (EIA) of the United States Department of Energy has adjusted Brent price forecast for the current year. According to the monthly report, an updated forecast constitutes \$108.1 per barrel, compared to the previously forecast value of \$106.3 per barrel. To achieve the specified average level in 2012, the price of Brent crude oil has to be \$103.6 per barrel on average in the period to the end of the year. This EIA forecast may be conservative, given that the average price of Brent crude oil amounted to \$112.8 per barrel since the beginning of the year, while the average price in August¹ constituted \$113.4 per barrel. EIA forecast saves average prices for WTI crude oil in 2012 at \$93.9 per barrel against the previous forecast of \$92.8 per barrel.

OPEC, IEA

OPEC experts raised their own forecast of oil consumption in the world in 2012, according to which consumption will constitute 88.72 million barrels per day. A month earlier, this figure was projected at 88.68 million barrels per day. Experts also believe that in the III and IV quarters of 2012, the demand for oil in the world will be much higher than it was in the first half of this year and could reach 89.7 and 89.8 million barrels per day, respectively.

According to experts of the IEA, in general, in 2012, global oil consumption will be 89.9 million barrels per day. According to them, the consumption of oil and oil products in developing countries will increase significantly this year, while in the countries of the Organization for Economic Cooperation and Development, the demand for oil and energy derivatives may drop. The peak of the growth in oil consumption will be in the last three months of the year.

Kazakhstan

According to the Statistics Agency of the Republic of Kazakhstan, the country had produced 1.7 million tons of gasoline in January-July 2012, which is 12.6 percent more than the same period in 2011 (a reduction of a similar figure of 15.9 percent was noted in January-July 2011).

According to the General Director of the Pavlodar Petrochemical Plant JSC (hereinafter –the “PPCP”), the plant has recycled 120 tons of oil in the first week after the planned annual repair. According to him, currently, there are no problems with the supply of Russian oil to the plant, and shortages of petroleum products in the domestic market are not observed. During the upcoming harvest, the plant will fully meet the needs of the North in diesel fuel.

According to the Ministry of Oil and Gas of the Republic of Kazakhstan, the construction site of the deep refining complex at the Atyrau refinery is currently under construction. Main construction works will begin in March 2013, and the complex will be put into operation in 2015. According to the information, the project aims to organize a modern technical base for the production of high-quality products that meet international environmental standards. Due to commissioning of the project, the deficit of high octane gasoline and jet fuel in the domestic market will be eliminated, the output of light oil products will be increased to 77 percent, the quality of motor fuels conforming to Euro-4 and 5 standards will be improved. The reliability of the

¹ As of August 20, 2012.

operation of plant technological streams will also significantly improve with the increasing of the balanced plant capacity for the processing of crude oil. Atyrau Refinery has already signed financial agreements with the Export and Import Bank of China, the Japan Bank for International Cooperation, Tokyo Mitsubishi Bank and the Development Bank of Kazakhstan for the construction of the complex.

Russia

Prices and data on changes in retail prices in Russia for gasoline and diesel fuel as of August 20, 2012, compared to the prices as of July 30, 2012.

	July 30, 2012	August 20, 2012	change, % (+/-)
	price, ruble	price, ruble	
1. Gasoline	27,36	27,42	+0,2
<i>including:</i>			
RON-80	25,20	25,26	+0,2
RON -92	26,68	26,74	+0,2
RON -95 and higher	28,94	29,00	+0,2
2. Diesel fuel	27,85	27,90	+0,2

Source: State Statistics Committee of the Russian Federation.

Prices for motor fuel in Russia, which demonstrated stability and low growth rates in the first half of the year, began a gradual rise. The company, which first announced the rise, was Lukoil, the country's largest private oil company. Analysts believe that other large oil companies will raise the prices of gasoline and diesel fuel too, but this growth will not be significant. Experts associate higher prices with market conditions, the availability of seasonal factors, the inflation component, and an increase of the excise tax on certain types of POL since July 1 this year.

According to media reports, the Ministry of Economic Development of Russia intends to reduce the forecast of average oil prices for 2012 from \$115.0 per barrel to \$109.0 per barrel. It is noted that the specification of the forecast will happen anytime soon. However, despite the drop in oil prices, according to the Ministry's estimates, the federal budget in 2012 will be deficit free.

In the first half of 2012, Omsk Oil Refinery increased the amount of oil refining by 3.6 percent compared to the same period last year - to 10.2 million tons. Production of high-octane gasoline has increased by 15.7 percent up to 2 million tons. By 2020, Gazprom Neft plans to invest in the development of the Omsk Oil Refinery more than 115 billion rubles (about \$3.6 billion). The main directions of the investment program of the refinery by 2020 are to improve the environmental performance of motor fuels, increase the depth of oil refining, diversify high-octane gasoline, diesel fuel, coke, modern bitumen materials, petrochemical products.

According to the RIA Novosti news agency, Russian oil export in the first half of 2012 amounted to 118.7 million tons, which is 2.5 percentage points lower than in January-June 2011. The share of oil in total Russian exports in the first half amounted to 35.1 percent against 36.3 percent in January-June 2011, exports of energy products – 49.3 percent (in 2011 – 51.1 percent). Also, according to a report, Russia was producing 9.82 million barrels of oil per day in

June, and the rate of Saudi Arabia has reached 9.89 million barrels of oil per day. Thus, Russia, which in May of this year ranked first in the world in terms of oil production, took second place in June. Average actual export price of Russian oil in June was \$688.1 per ton, having decreased compared to May of this year by 11.3 percent. The price of Urals crude oil on world markets fell to \$682.1 per ton.

According to the press service of the Ministry of Energy of Russia, since the beginning of 2012, there has been a consistent increase in production and shipments of petroleum products to the domestic market of the Russian Federation, which allowed fully meeting the demand and creating stocks of petroleum products. High fuel reserves fully meet demand and is a major factor precluding a sharp rise in fuel prices in the short term.

Kyrgyzstan

Prices and data on changes in retail average price for gasoline and diesel fuel in August² 2012 compared to the prices in July 2012.

Cities	RON-95		RON -92		Diesel Fuel	
	price, KGS	change, % (+/-)	price, KGS	change, % (+/-)	price, KGS	change, % (+/-)
Bishkek	39,36	+0,2	36,17	+1,6	38,78	-□,6
Karakul	39,17	+0,4	35,89	+0,3	38,42	-0,2
Djalal Abad	41,17	+0,	38,25	+1,3	41,31	-0,4
Naryn	39,40	+0,6	35,73	+0,7	38,88	+0,1
Batken	0,00	-	39,61	+0,2	43,60	-0,1
Osh	40,33	+1,3	38,10	+1,2	41,17	+0,6
Talas	39,40	+0,5	35,05	-0,1	35,77	-2,0
Tokmok	38,□0	0,0	35,70	+0,4	37,94	-0,1
Kara-Balta	0,00	-	35,89	+1,4	38,95	+0□7
The average for the country	39,56	+0,4	36,64	+1,3	39,38	-0,3

Source: National Statistical Committee of the Kyrgyz Republic.

“-“ - lack of goods

Monitoring of the prices of gasoline and diesel fuel in the domestic market of Kyrgyzstan shows the maintenance of the trend of increasing prices of RON-92 and RON-95 gasoline, as well as a decrease in the price of diesel fuel. Analysts attribute the increase in gasoline prices with the repair works at the Gazprom Neft Moscow Oil Refinery as a result of the accident at the oil refinery. In this regard, Gazprom Neft virtually ceased issue of RON-92 and RON-95 gasoline, which led to a lack of gasoline of these grades.

At the end of July this year, during the visit of the Head of the Government of the Kyrgyz Republic to Russia, it was agreed to increase the volume of supply of tax-free POL in the current year from 850.0 thousand tons to 1 million ton. Thus, under this arrangement, petroleum products will be delivered to the country for internal use only.

Autumn field works and harvest require about 55.0 thousand tons of POL, of which 40.0 thousand is diesel fuel and 15.0 thousand is transferred by the Head of the Oil Traders Association of Kyrgyzstan with reference to the message of agriculture and land reclamation. According to the message, there will be no shortage of POL in the country in autumn.

In March of this year, there was a problem of import of POL in the country by intermediary companies because of amendments to the Customs

²The average price of gasoline as of August 23, 2012

Code of the Kyrgyz Republic concerning foreign economic transactions. As a result, thousands of tons of POL were “frozen.” According to the KG inform news agency, the Oil Traders Association of Kyrgyzstan won five trials from the State Customs Service of the Kyrgyz Republic on this issue, and a settlement agreement was signed between the parties.

Natural Gas

Kyrgyzstan

According to the information of the Kyrgyzgaz OJSC, negotiations regarding additional shipments of 100 million cubic meters to the country were completed. According to the oral information of the Kyrgyzgaz OJSC, the parties are currently determining the price of the planned shipment.

Electric Power

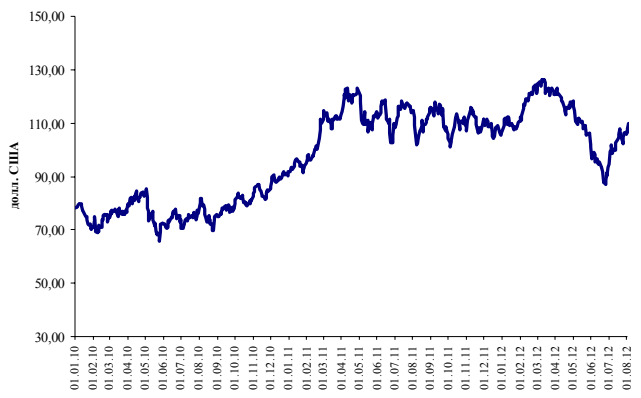
Kyrgyzstan

Power consumption increased by 2 million kW/h of electricity per day in Kyrgyzstan in summer of this year compared with last year, the Kabar news agency reports with reference to the Minister of Energy and Industry of the Kyrgyz Republic. According to him, at this pace, electricity consumption could grow to 5-6 million kWh/day in the winter, and, therefore, power cuts in the winter are also possible. It also reported that since the beginning of the year, the Kyrgyz Republic has twice reduced the export of electricity to neighboring countries, amounting to 877.0 million kW/h. In particular, 645.0 million kW/h has been sold to Kazakhstan, 231.5 million kW/h Uzbekistan, and 0.4 million kW/h to China.

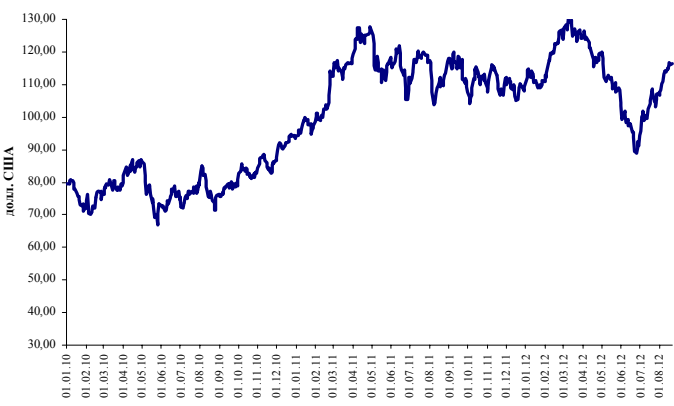
The volume of water in the Toktogul reservoir as of August 23, 2012 amounted to 17.2 billion cubic meters, which is about 10 percent lower than in August last year. In this regard, and given the decline in exports of electricity, the head of the Fuel and Energy Complex Department of the Ministry of Energy and Industry of the Kyrgyz Republic suggests a possible increase in tariffs for heat energy.

The review was prepared according to: 24.kg IA, Reuters IA, RBK IA, Kazakhstan Segodnia IA, Tazabek IA, CentrAsia IA, KirTAGIA, ITAR-TASSIA, REGNUM IA, Neftegazovaya Vertical Publication

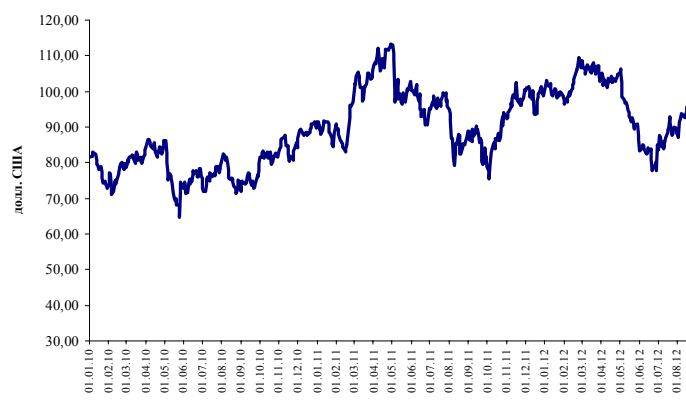
Graph 1: Urals from January 1, 2010– August 20, 2012



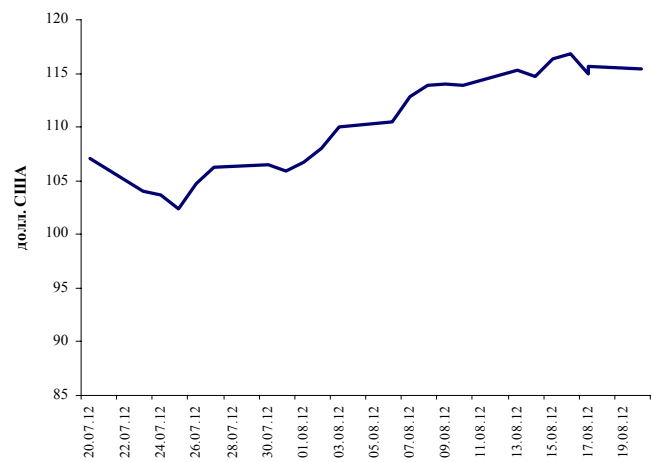
Graph2: Brent from January 1, 2010– 20.08.2012



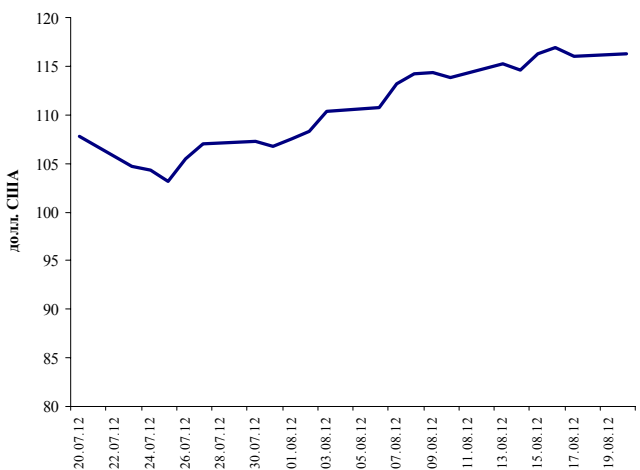
Graph3: WTI from January 1, 2010– August 20, 2012



Graph4: Urals from July 20, 2012 – August 20, 2012



Graph5: Brent from July 20, 2012 – August 20, 2012



Graph6: WTI from July 20, 2012 – August 20, 2012

