

NYSE EURONEXT IN KAZAKHSTAN, THE WORLD' LARGEST AND MOST LIQUID STOCK EXCHANGE

An interview with Aaron Goldstein, Head of Kazakhstan Business Development, who answers questions on similarities, differences and advantages of NYSE Euronext over London Stock Exchange (LSE)



Aaron Goldstein, Head of Kazakhstan Business Development, International Listings at NYSE Euronext.

Mr. Goldstein is based in London within the International Listings, at NYSE Euronext. He is responsible for developing NYSE Euronext's business in Russia, Ukraine, Kazakhstan and CIS. The International Listings team helps potential listed companies and their advisers to make an informed decision on NYSE Euronext and makes introductions to the American and European based community of investors in order to facilitate an effective listing process.

Mr. Goldstein worked in London as an investment banker with several financial institutions concentrating primarily on Russia and CIS. Mr. Goldstein has also practiced securities law and international finance law in New York and London.

QUESTIONS:

- What is the criteria in choosing a stock exchange/Do international investors care which stock exchange a Kazakhstan issuer places an IPO
- What advantages are there in placing an IPO on NYSE Euronext
- What are the similarities, differences and key advantages of Euronext over LSE
- Is there liquidity on Alternext, NYSE Euronext's platform for small and medium sized companies

As a former investment banker I would direct a Kazakhstan issuer to a stock exchange that would deliver the best of the following: (1) Valuation; (2) Liquidity; (3) Visibility. Generally speaking an international investor does not care which stock exchange an issuer chooses so long as the platform is well regulated. The international investor primarily looks to the issuer and if the story behind the issuer is good they will buy into the issuer irrespective of the platform.

LSE has been marketing itself very aggressively in Kazakhstan for the last few years. NYSE Euronext only started to market itself as of June 2007 consequently we are not as well known in Kazakhstan. In order to understand the differences of the two stock exchanges we truly believe that the Kazakhstan issuer should conduct a "beauty parade" of the stock exchanges. As a result of conducting a "beauty parade" the Kazakhstan issuer will be in a better position to understand the similarities and more importantly the differences and/or advantages in the relevant stock exchange and will be in a better position to pick the appropriate stock exchange for its IPO.

NYSE Euronext

Since the merger of NYSE Euronext in April 2007, we are the first global and transatlantic stock exchange having two platforms, an American platform: NYSE, and the European platform: Euronext. The American platform is regulated by the SEC while the European platform is regulated by the EU Directive like all of EU stock exchanges and subsequently is not subject to the Sarbanes-Oxley requirements.

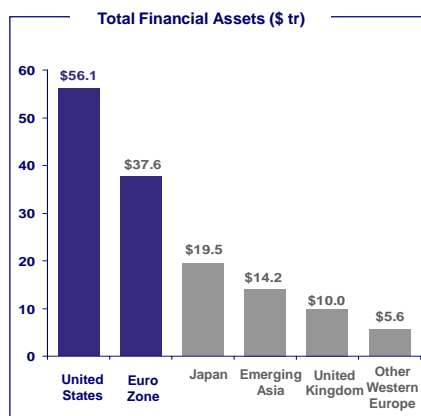
NYSE Euronext's market capitalisation is approximately 30.3 trillion US Dollars we are the worlds largest stock exchange (if you combine the next four largest stock exchanges we are still larger). More importantly NYSE Euronext is the most liquid stock exchange, whereby, we trade equity on a daily basis of approximately 139 billion US Dollars. We also own and operate the London derivative market, LIFFE, and there we deal with approximately 1.8 trillion Euros on a daily basis.

At NYSE Euronext an issuer has a choice of multiple entry points of any size and geography (USA or European listing and/or listing in both USA and Europe).

I would like to emphasize that NYSE Euronext has presence in the world's two leading currencies (US Dollars and Euros). As a result of our geographic location NYSE Euronext is the natural platform for these international investors. Consequently the Kazakhstan issuer will be able to attract these pools of money on NYSE Euronext. Furthermore, the Kazakhstan issuer will be able to attract interest and be visible to a much broader international investor base primarily that of global investors as well as the local investors from our core countries. The Kazakhstan issuer should appreciate that these two regions are key destinations for raising capital and home of the largest pools of financial assets (USA=\$56.1 trillion; Eurozone=\$37.6 trillion; United Kingdom=\$10 trillion).

NYSE Euronext will give the Kazakhstan issuer global visibility. The Kazakhstan issuer will also benefit from a superior service offering, unparalleled brand association and superior peer alignment in whatever sector it does business.

Access to the World's Largest Sources of Capital



Source: McKinsey, January 2008

Euronext, our European platform

Euronext is the result of the merger in 2000 of the following European stock exchanges: (1) Paris Stock Exchange; (2) Amsterdam Stock Exchange; (3) Brussels Stock Exchange; and (4) Lisbon Stock Exchange.

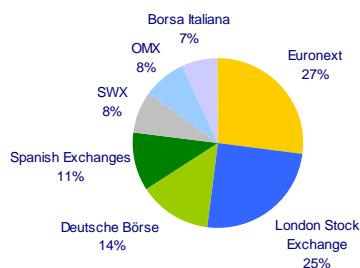
Euronext is a single cross border trading platform integrated across four countries and the largest central order book cash market in Europe by value of business traded. At Euronext we speak one language and that is English so all of the documentation and negotiation will be done in English. Furthermore, we have one rule book and the issuer's shares and/or GDRs will be placed onto our one central order book and have the opportunity to join key indices.

The competitive position of Euronext and LSE are similar. In terms of size measured by the cash equity market capitalisation Euronext is larger than LSE while the other European stock exchanges are much smaller.

Euronext's competitive position in Europe

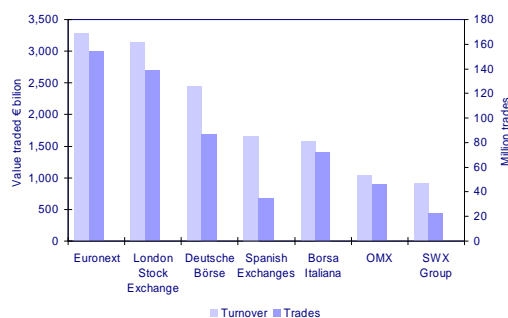
MARKET CAPITALISATION

European cash equity market capitalisation
(end 2007)



TRADING VOLUMES

(2007)



- Largest equity market in Europe
- Largest trading platform in Europe

Source: Federation of European Securities Exchanges (FESE)
Figures include domestic & primary international listings

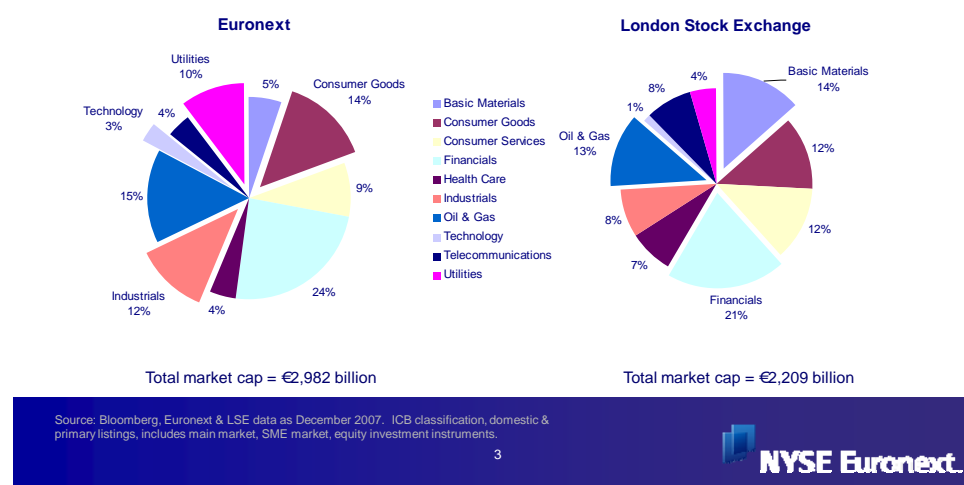
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Euronext and LSE deal with same sectors and the breakdown of sectors is similar, Euronext may be larger in few sectors by few percentages and LSE may be larger in other sectors by few percentages.

Sector comparison Euronext vs LSE

- Euronext sector profile very similar to London Stock Exchange
- Euronext – larger in Technology, Consumer Goods, Utilities, Industrials



Listing Requirements for Euronext/The Main Board

The Kazakhstan issuer must understand the similarities, differences and key advantages of Euronext over LSE. First and foremost Euronext like all EU based stock exchanges, inclusive of LSE, is governed by the EU Directive consequently the listing requirements and ongoing obligations are similar. Naturally, there may be differences of requirements from the home regulator (FSA in the UK; on Euronext the Kazakhstan issuer has a choice of a gateway (Euronext/Paris, Euronext/Amsterdam, Euronext/Brussels, and/or Euronext/Lisbon) and will negotiate with only one of the relevant regulators).

In order to join Euronext the Kazakhstan issuer has a choice of entry points (gateways) onto the platform. For example if the Kazakhstan issuer decides to enter via Euronext/Amsterdam gateway then the issuer will negotiate exclusively with the Dutch regulator and once the Dutch regulator has accepted the issuer then the Kazakhstan issuer is automatically onto Euronext and there is no need to deal with the other regulators (i.e. French, Belgian and/or Portuguese).

Alternext, our Junior Market

Alternext is an exchange regulated market designed specifically for small and medium sized companies. Alternext is very similar to AIM in terms of simplified listing requirements and ongoing obligations. On Alternext we have Listing Sponsors whose functions are similar to those of NOMADS on AIM. The platform is open for companies from all sectors and countries. The Kazakhstan issuer will need to pick the gateway to Alternext (Alternext/Paris, Alternext/Amsterdam, Alternext/Brussels, and/or Alternext/Lisbon) and once the issuer is accepted in one of the gateways the issuer is automatically on Alternext and will have its GDR placed onto Euronext's centralized order book and have the opportunity to join key indices.

The clear distinction between Alternext and AIM is liquidity. Alternext, has more liquidity than AIM. Liquidity of an average monthly number of transactions per stock was 719 on Alternext and 211 on AIM, three and half times greater than AIM. Percentage of stocks with greater than 50 % velocity was 60% on Alternext and 32% on AIM, almost twice that of our competitor.

Alternext vs. AIM

	Alternext	AIM
Trading model	Hybrid: option of orderbook or market maker	Mainly market maker dependent
Average market cap (mean)	€48m	€91m
Median market cap	€37m	€31m
<i>Liquidity**</i>		
Average monthly number of transactions per stock	719	211
Overall velocity	92%	78%
Percentage of stocks with greater than 50% velocity	60%	32%

Source: Euronext & LSE. * Industry Classification Benchmark **H4 2007 E=1.35E

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Investment Funds

If you are an investment fund (real estate, private equity, venture capital, etc) Euronext/Amsterdam has become a platform of choice by most international funds due to the Dutch regulator's liberal and business like approach to investment funds. There are many key differences between the Dutch regulator view and that of the British regulator for investment funds. It can be said that the Dutch regulator will allow the Kazakhstan issuer to structure a fund that will be attractive to both the issuer and the investor. As an example, among many, the Dutch regulator does not have a concentration rule and allows fund to invest whatever percentage of money raised on an investment (LSE allows no more than 20% of portfolio assets in a single investment without going for approval to the shareholders). Many of the major investment funds have raised money on Euronext/Amsterdam such as KKR, Carlyle, Apollo, Lehman, etc...).

KEY ADVANTAGES AT EURONEXT OVER LSE

1. Treatment of GDRs

LSE does not allow GDRs onto the central order book and/or indices. On Euronext, we treat GDRs like any other common share and GDRs are allowed to be placed onto our central order book and/or indices allowing the GDR to fully participate in the liquidity and visibility of the stock exchange. Consequently an analyst and/or international investor will find the Kazakhstan issuer's GDR alongside its global peers. This visibility is paramount in the interest of the GDRs liquidity, the analyst will research the Kazakhstan issuer's GDR alongside the peer group and disseminate information of the GDR to a much wider shareholder/investor base.

On LSE the GDRs are only visible on IOB (International Order Book) where all other emerging market companies GDRs are placed and consequently are only viewed by a much small investor international investor base (emerging funds, country focused funds and certain hedge funds). Euronext does not discriminate against GDRs and we give the Kazakhstan issuer's GDR equal visibility and access to a much wider shareholder base by allowing them GDRs onto our central order book and/or indices.

2. Corporate Governance

On Euronext it is not mandatory that majority of the board be independent (we recommend a majority of the board to be independent). LSE requires a majority of the board to be independent via its UK Combined Code.

3. Shareholder Approval Requirements

On Euronext shareholder approval requirement for (1) substantial transactions; and (2) related party transactions is not a requirement. On LSE the issuer will need to go the shareholders for approval for the two transactions.

4. Non-voting Shares

Non Voting shares are allowed on Euronext. LSE does not allow this.

Listing requirements comparison: Euronext vs London SE

	Euronext*	London – Main Market
GDR listings	Primary listing on main market orderbook Eligible for inclusion in main indices	Secondary listing on IOB Excluded from main indices
Primary listing requirements		
Corporate governance – majority of board required to be independent	Not mandatory	Yes – UK Combined Code
Shareholder approval required for:		
• Substantial transactions	No	Yes
• Related party transactions	No	Yes
Non-voting shares permitted	Yes	No
Primary listing requirements for investment companies/funds		
Investment restrictions	None	10% maximum in other listed entities (unless listed entity has 15% investment concentration limit)
Feeder funds required to control master fund investment policy	No	Yes

* Euronext Amsterdam entry point

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Listing requirements comparison: Euronext vs London SE

	Euronext*	London – Main Market
Primary listing requirements for investment companies/funds (continued)		
Requirement for spread of investment risk	No	Yes
Requirement for investment manager track record	No	Yes
Annual explanation on benefit of continued appointment of manager	No	Yes
Quarterly portfolio reports	No	Yes
Future issues of shares only above NAV	No	Yes
Restrictions on share buybacks	No (though market abuse directive applies)	Yes, limited to 14.99%
Electronic flagging of restricted securities in settlement system	Yes	No – physical delivery

* Euronext Amsterdam entry point

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CONCLUSION

We believe that NYSE Euronext will in fact give the Kazakhstan issuer a better valuation, superior liquidity and greater visibility. The Kazakhstan listed instrument in the form of a GDR will be a full member of the stock exchange and will qualify to be included on Euronext's central order book and qualify to enter the relevant indices.

At Euronext we do not discriminate against the GDR and GDRs are allowed to be fully integrated on our platform. In contrast GDRs at LSE are not able to be included in the central order book nor are they allowed to join the indices. Consequently, on LSE an analyst and/or international investor will find it difficult to find the Kazakhstan issuer among its peers and the issuer will suffer poor liquidity and lack of visibility to its detriment. These limitations at the London Stock Exchange in effect create a second class citizen, whereby, the GDR is not a full participant of a stock exchange. A stock exchange is merely a platform for buyers and sellers and the Kazakhstan issuer's GDR ought to be fully integrated at the stock exchange and be placed among its peers and taken more seriously by potential investors via the central order book and/or indices in whatever sector it belongs.

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2nd Central Asian Investment Conference will take place **on 27-28 March 2008 in Almaty, Republic of Kazakhstan.**

The CAIC2008 steering committee consists of the NYSE Euronext, Advantix, Almaty Investment Management, Centras Securities and Association of Financial Analysts.

The Conference is one of the largest and most significant investment events which is aimed at boosting growth of the Central Asian capital market and meeting the region economy's increasing need for new capital. The conference annually brings together over 350 key players from the Central Asian and International capital markets including senior government officials at the ministerial level, top managers of the national & international companies working in Central Asia, institutional investors and investment analysts, investment and pension fund managers, investment banks and corporate lenders, legal advisors, auditors, insurance brokers, non-executive directors, IR consultants.

The significance of the conference is emphasised in the last year's written address by Kazakhstan's Prime Minister Mr Masimov which remains relevant to the forthcoming event: *"Dynamic development of Almaty as the principal financial centre of Central Asian Region is based on creating favourable conditions and opportunities for financial organisations... The investment conference makes a valuable contribution to the integration of Kazakh securities market into the global capital markets ... It gives the participants an opportunity for professional discussions of the integration perspectives. I am confident that the Central Asian Investment Conference will be a perfect opportunity to learn more about Kazakhstan and its opportunities for both existing market players and those who are only planning to enter Kazakh market"*.

Main subjects of the conference:

- Financing sustainable economic development of Kazakhstan – the Central Asia's driving force.
- Investment climate in Kazakhstan. Credit and Investment Risks.
- Forthcoming WTO Accession of Kazakhstan. Installing market competition principles.
- Kazakhstan's Capital Market Development. Local capital growth and integration perspectives.
- Impact of global credit crunch on the Kazakhstan's Real Estate Financial Sector.
- Sustainability of the banking and financial service industry in Kazakhstan.
- Listing Kazakh securities on the international investment markets.
- Raising finance for the infrastructure projects managed by the Kazakh corporations.
- Corporate Governance requirements for companies planning international listing.

For more information and for registration, please visit conference website: www.caic2008.com

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