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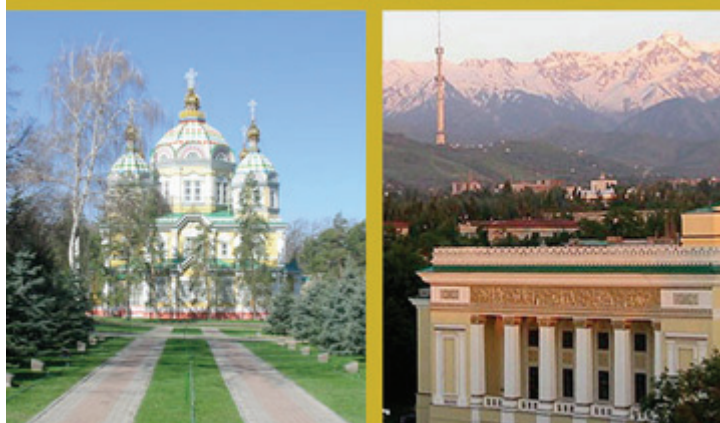
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THE PBN COMPANY is an international strategic communications, government relations and public affairs consultancy serving clients worldwide from offices in Washington, DC, London, Moscow, Kyiv, Riga, Almaty and Chisinau.

Sunday, December 9, 2007

Volume 1 Issue 35

PBN Focuses On Kazakhstan



The PBN Company is proud to announce the opening of our newest office in Almaty, Kazakhstan.

PBN has been active in Kazakhstan since 1998 when we served as the secretariat for President Nazarbayev's Foreign Investors' Council under a contract with EBRD. We have also assisted Western clients with their intellectual property issues in conjunction with the Coalition for Intellectual Property Rights. Another long-term client is the Caspian Pipeline Consortium, still one of the region's largest investment projects.

Kazakhstan at a Glance

A Country Averaging 9% Growth
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The PBN•Almaty Team

Welcome to Arman Moldakhmetov
and Asel Abdulagapova
[\[click here\]](#)

News From PBN

Howard Paster and Andrew Scott join
the Board of Directors, and check out
PBN's baby boom!
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Right Time

The time is right for PBN to establish a permanent presence in Almaty, the commercial center of the country. Today Kazakhstan's economy is booming – 10.2% growth in real terms in the first half of 2007. It is no longer just Western investors entering the country to take advantage of its vast natural resources. Multinationals and local firms alike are now focusing their attention on the emerging (and demanding) consumer sectors. "Moreover, increasing numbers of Kazakhstani companies from an ever-widening number of business sectors are going global," says PBN Chairman and CEO Peter B. Necarsulmer. "That means IPOs in London; the search for financing on commercial terms; the need to reach out to international audiences; and the need to counterbalance key misperceptions about Kazakhstan and communicate the country's vast potential to Western investors, analysts, journalists and entrepreneurs."

Right Team

We have also recruited the right team to build our successful franchise in this growing market. Arman Moldakhmetov, formerly of the EBRD and of the Kazyna National Innovation Fund, heads the office. He is assisted by Asel Abdulagapova, who has a background in corporate communications, marketing and media relations. PBN•Almaty will offer a full range of services to our clients, from public affairs advice to Western companies entering the market to media relations and corporate communications to financial communications for local companies going to the international markets.

"I have no doubt that PBN will establish the standards of strategic communications in Central Asia as we have done in every market we have entered," says Arman. "International and domestic companies can both benefit from the high quality communications counsel and superior execution offered by PBN in this market."

"PBN's Kazakhstan office further increases the geographical reach we offer to our clients," notes Peter. "Teamed with the development of our global financial communications practice and the worldwide synergies afforded by the firm's recent union with world communications leader WPP, PBN's operations and strengths are growing by leaps and bounds."

In this edition of Access PBN, we provide an overview of Kazakhstan as well as background on Arman and Asel. So if you are in need of the outstanding services you have come to trust in PBN, give Arman or Asel a call (+7 727 267 7334) or drop them an email!

Contact Arman or Asel:

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Kazakhstan at a Glance

Kazakhstan is the ninth largest country in the world, and the largest in Central Asia. The country stretches from the mountainous areas in the east to the resource-rich Caspian Sea in the west. Endless windy steppes and a harsh Siberian climate characterize the north, while the southern part of the country is blessed with fertile lands and a warm climate, making it the country's breadbasket.

Kazakhstan is rich in mineral resources, and the most developed sectors of the economy are energy, utilities and mining, along with industrial production and machinery building. Agriculture is also a key industry, accounting for 10% of GDP.

"Our country has also made significant progress in developing and modernizing its financial sector," explains Arman Moldakhmetov, the Managing Director of PBN's new office in Almaty. "It now has a banking system generally considered to be comparable to those of Central Europe."

The country's financial sector capitalization is in excess of \$1 billion and a deposit insurance program was recently launched by the National Bank to further strengthen the sector. A number of foreign banks have opened branches in Kazakhstan, including ABN-AMRO, Citi and HSBC. There have also been a number of acquisitions in 2007, including that of TexacaBank Kazakhstan by Russia's Sberbank, Almaty Merchant Bank by Italy's UniCredit, and Demir Bank Kazakhstan by Israel's Hapoalim Bank. Austria's Raiffeisen Bank is also conducting negotiations with Temir Bank on a possible acquisition.

The government and a number of state agencies want Almaty to become the financial center of Central Asia and are actively laying the groundwork to achieve this goal.

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The largest landlocked country in the world, Kazakhstan is a nation of striking contrasts, from isolated, pristine wilderness to an emerging modernity in cities like Almaty and Astana. The economy is propelled by the country's abundant natural resources and an annual GDP growth rate of 9% or more.

Strong Economic Fundamentals

Kazakhstan posted a 13% growth rate in 2001, and has averaged more than 9% annual growth subsequently over the last 5 years (8.5% in 2006). Partly due to its large oil, gas and mineral resources, Kazakhstan has accumulated some \$18 billion in reserves and \$22 billion in an escrowed Oil Fund, which is similar to Russia's Stabilization Fund. Commodity reserves also result in a current trade surplus of approximately \$14 billion. The country's monetary policies have been well managed, with inflation remaining relatively steady at 8.6% in 2006.

Since 1993, Kazakhstan's extractive industries (oil, gas, iron ore, copper, zinc, uranium and gold) have attracted \$58.3 billion in foreign investment, which represents three-quarters of the total foreign direct investment in Kazakhstan.

From January through September 2007, foreign trade turnover reached \$50.2 billion, with exports totaling \$29.4 billion and imports amounting to \$20.8 billion. Natural resources represent 70% of exports, while the leading import categories are machinery, equipment and vehicles.

Impact of Global Credit Crunch

The recent U.S. credit crisis has impacted Kazakhstan, causing interest rates to rise. Annual inflation is up to 15.3% — twice the 7.8% rate predicted by the National Bank. Credit limits are decreasing, new conditions are being imposed on retail borrowing, and share prices are falling with an outflow of domestic investors from the financial sector. According to National Bank Chairman Anvar Saidenov, during this market correction non-residents have purchased roughly \$1.5 billion worth of Kazakhstani financial instruments. "The long-term impact on Kazakhstan is likely to be minimal, since the key macroeconomic indicators of the country remain strong," notes Arman. "The government has had the foresight to plan ahead, allocating US\$4 billion to rescue failing banks, construction companies and small businesses over the next two years."

A key concern for foreign investors has been the recent increase in regulation of the oil sector, which strongly suggests a continued trend toward greater state control over energy resources. The country's flagship Kashagan oil project has experienced numerous technical problems, and in late August development work was halted for three months pending negotiations between the foreign-led consortium operating the project and the government of Kazakhstan.

A Political Primer

Kazakhstan is a constitutional republic divided into 14 oblasts (provinces) and three municipal districts (Almaty, Astana and Baikonur), with regional governors appointed by the President.

President Nursultan Nazarbayev has ruled Kazakhstan since 1989, when he came to power as head of the Kazakh Communist Party. He was first elected President in 1991. A referendum expanded his powers in 1995. He has sole authority for dissolving Parliament, and for appointing and dismissing the Prime Minister, his three deputies and the 16 Cabinet ministers. In December 2005, President Nazarbayev won a new seven-year term with 91 percent of the vote.

Kazakhstan's bicameral Parliament consists of a lower house (the Majilis) and upper house (the Senate). As a result of constitutional amendments passed in May 2007, the number of Majilis seats was increased to 107, of which 98 are elected on the basis of proportional representation. The remaining nine are nominated by the Assembly of the Peoples of Kazakhstan, a civil-society body that plays an advisory role to the President. The Senate has 39 members, with two senators selected by each of 16 district assemblies and seven appointed by the President.

The ruling party, Nur Otan, won 88% of the vote in the August 2007 parliamentary elections. All other political parties received less than the 7% minimum required to be seated in the Majilis. According to the Central Election Commission, the turnout was 65%.

While the Government is bullish regarding the results of the elections, there is considerable criticism from international organizations, which allege that opposition parties have been disadvantaged by a number of factors such as limited access to the electronic media, which is controlled by pro-government allies.

"Election results notwithstanding," says Arman, "the most exciting political news recently has been the country's appointment to assume the OSCE chairmanship in 2010, which was confirmed at the 15th OSCE Ministerial Council in Madrid, on November 30, 2007. Kazakhstan will be the first non-European country to hold this position. This is a significant development for our country, being a very visible acknowledgment from the international community of the progress made and Kazakhstan's growing status."



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The PBN•Almaty Team

PBN has been very fortunate to recruit two top professionals for our office in Almaty. "Having the right people on board from the start is absolutely fundamental to providing our clients with the standard of service they expect from PBN," says Trevor Barton, PBN's Managing Director Europe and the supervising partner for the Kazakhstan initiative. "We are really delighted to have been able to recruit Arman Moldakhmetov as Managing Director and Asel Abdulagapova as Account Manager."

The PBN Company has also organized a senior management team dedicated to helping to build and service our business in Kazakhstan which includes Trevor, Blake Marshall, Senior Vice President, International and Artem Dovlatov, Vice President, Financial Communications as well as the company founders, Peter Necarsulmer and Susan Thurman.

Arman Moldakhmetov, Managing Director

Arman began his distinguished career as a Commercial Officer in the Royal Netherlands Embassy in Almaty. Subsequently he was Head of the Permanent Secretariat for the Foreign Investors' Council under the President of Kazakhstan, and following that he was Head of the EBRD office in Astana. He then did a fellowship at the University of Washington, returning to Kazakhstan to become Deputy Chairman for the Kazyna National Innovation Fund, before joining PBN Kazakhstan in October of this year. His responsibilities include overall management of PBN's Central Asia initiative, client management and new business development.

Arman has strong academic credentials as well. He graduated from Moscow State Agricultural Academy (BSc) in 1993. From 1994 to 1996, he studied at KIMEP (MPA). He was a Hubert H.

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New members of The PBN Company global team in Almaty, Kazakhstan: Arman Moldakhmetov, Managing Director, and Asel Abdulagapova, Account Manager.

Humphrey Fellow at the University of Washington, Seattle in 2005-06. In 2006, he also attended Executive Courses at Harvard University's Kennedy School of Government.

Asel Abdulagapova, Account Manager

Asel graduated from the Design Department of the Kazakh State Academy of Architecture and Construction, and also holds an MBA Degree in Marketing and Public Relations from the International Academy of Business in Almaty.

Asel's previous professional experience includes working for the American NGO Internews in the late 1990s, where she helped to introduce Kazakhstan's media to progressive Western journalism techniques and know-how. She then served as Press, Culture and Development Officer in the Royal Netherlands Embassy in Almaty, introducing Dutch Government programs and building relationships and lines of communications with the local press, government and NGO sectors in Kazakhstan, Kyrgyzstan and Tajikistan. Finally, before joining PBN, Asel worked with PricewaterhouseCoopers as a Senior Marketing Consultant, where she created and implemented the company's local marketing strategy, built local corporate communications operations and supported the PWC brand on the market. Asel's responsibilities at PBN will include client management, research and new business development throughout the Central Asian region.

The PBN family welcomes Asel and Arman!

Contact Arman or Asel:

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News From PBN

Strong Leadership. PBN is pleased to announce the newest members of our Board of Directors: Howard Paster and Andrew Scott. Both hail from PBN partner and global communications giant WPP, where Howard is Executive Vice President and Andrew is Director of Corporate Development. We welcome their expertise and guidance to our Board!

Contact Howard or Andrew:

howard.paster@pbnco.com or
andrew.scott@pbnco.com

Incredible Clients. Air Products, Alcoa, Bank Saint-Petersburg, Citi, National Association of Manufacturers, Nordstream, Pepsi, SAP, and Western Dairy Group are just some of the most recent companies to hire The PBN Company. The work for these new clients makes full use of PBN's expertise in areas from financial communications to government relations.

Contact Peter: peter.necarsulmer@pbnco.com

Global Cooperation. PBN offices around the globe pulled together again for the introduction of the new US \$5 note in Russia and the CIS. The Washington DC, Moscow and Kyiv offices coordinated with the US Department of the Treasury to distribute informational materials and alert the press and public to the design changes.

Contact Paul: paul.nathanson@pbnco.com

Great Experience. PBN's staff is better than ever with the addition of Jonti Small, our new Senior Account Manager in London. Jonti was formerly Managing Editor of Russian Investment Review and Press Officer of the Russian Economic Forum, and we are delighted that he has come on board.

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Above: Howard Paster (left) and Andrew Scott are the newest members of The PBN Company Board of Directors following WPP's strategic purchase of 49.9% of PBN.

Below: The full Board during recent meetings in London.



Welcome, Jonti!

Contact Jonti: jonti.small@pbnco.com

Key Staff. PBN•Riga welcomes its newest Account Manager, Ieva Stare. Prior to joining PBN, Ieva served as a reporter at a regional news outlet, press secretary in the Latvian government, and communications manager for a Scandinavian waste management company. Glad to have you with us, Ieva!

Contact Ieva: ieva.stare@pbnco.com

Baby Boom. Congrats go to these PBNers as they welcome their new babies! Deputy Managing Director of PBN•Ukraine Oksana Monastyrska gave birth to her second son, Artiom, on July 31. Chief Financial Officer Peter Svensson said hello to his first child, a son named Bjorn, on August 17. And finally, PBN•Ukraine Senior Vice President Myron Wasylyk and PBN•Kazakhstan Managing Director Arman Moldakhmetov greeted their little girls, Sofia and Danagul, on October 30 and November 9, respectively! Babies and parents are all doing well (if a tad sleepy), and we welcome the little ones to the PBN family!

Contact the new parents:

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myron.wasylyk@pbnco.com, or
arman.moldakhmetov@pbnco.com



From top: PBN•Kyiv Deputy Managing Director Oksana Monastyrska's son Artiom, PBN Chief Financial Officer Peter Svensson's son Björn, and PBN•Kyiv Senior Vice President Myron Wasylyk with daughter Sofia.