

## PRESS - RELEASE

### *JSC KazMunaiGas Exploration Production announces its financial results for the year ended December 31, 2007*

*Astana, 17 March 2008*, JSC KazMunaiGas Exploration Production (“KMG EP” or “the Company”), has released today its audited consolidated financial results for the year ended 31 December 2007.

- 11.64% increase of crude oil production, including the Company’s share in associates
- 28% growth in net income to 157bn Tenge (US\$ 1,282m)<sup>1</sup>
- 17.9bn Tenge (\$146m) increase in net income contributed from the Company’s 50% share of Kazgermunai

Commenting on the financial results for 2007, Askar Balzhanov, the CEO of the Company, said: “The fact that KMG EP achieved significant production and net income growth during 2007 is a reflection of the success of the Company’s ambitious acquisition strategy combined with a technical operational programme implemented on the core fields.

“The Company is confident of continuing this growth in future, through further value-adding acquisitions, operational activities and an expanding exploration programme.”

### **Production Highlights**

The Company produced 10,639 thousand tonnes (216.91kbopd) of crude oil that was 1,118 thousand tonnes or 11.64% more than in 2006. The increase is primarily due to the acquisition of a 50% stake in JV Kazgermunai LLP (“Kazgermunai”) completed on 24 April 2007.

Excluding Kazgermunai and CCEL, for the full year ended of 2007 the Company’s production was in line with the production plan, at 9,530 thousand tonnes of crude oil (192.17 kbopd), approximately the same level as for the full year of 2006. For the full year of 2007, the Company supplied 9,585 thousand tonnes of crude oil (193.28kbopd) to the customers excluding oil produced by Kazgermunai and CCEL. Out of this amount, approximately 7,354 thousand tonnes (148.29kbopd) were supplied to export markets, 9.13% more than in 2006.

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<sup>1</sup> Amounts shown in US dollars (“US\$” or “\$”) have been translated solely for the convenience of the reader at the average rate over the applicable period for information derived from the consolidated statements of income and consolidated statements of cash flows and the end of the period rate for information derived from the consolidated balance sheets.

## **Financial Highlights**

Profit after tax (net income) for the full year of 2007 was 157bn Tenge (\$1,282m). This is 28% higher than for the full year of 2006. The net income increase is attributable to higher prices received for crude, a favourable movement in the export to domestic sales mix, inclusion of Kazgermunai results, increased financial income. These positive factors were partially offset by increases in foreign exchange loss and operating expenses as well as an increase in the effective tax rate.

KMG EP's revenues for the full year of 2007 increased by 18% to 487bn Tenge (\$3,974m). This was primarily due to an increase in sales volume of 3.2% and 13.9% increase in the average realised price from 43,498 Tenge per tonne (\$47.71 per bbl) to 49,554 Tenge per tonne (\$55.93 per bbl). For the full year of 2007 exports accounted for approximately 77% of the sales in volume terms (73% for the full year of 2006).

Operating expenses were 211bn Tenge (\$1,720m) for the full year of 2007, increased by 17.4bn Tenge (\$142m), or 9% mainly due to release of a provision for an environmental fine of 11.4bn Tenge (\$93m) in the first half of 2006. Excluding the environmental fine reversal, operating expenses were 3% or 6.0bn Tenge higher than in 2006. The increase was mainly caused by an increase in transportation, materials, depreciation, depletion and amortization, fines and penalties, stock option expenses, partly offset by a reduction in the consulting services, social infrastructure expenses, other taxes and other expenses.

Operating cash flow was 173bn Tenge (\$1,411m) for the full year of 2007, approximately 42% higher than for the full year of 2006. Cash outflow used in investing activities related to acquisitions of stakes in Kazgermunai and CCEL in 2007 was 137bn Tenge (\$1,119 m).

Purchases of property, plant and equipment (capital expenditures, not including purchases of intangible assets, as per Cash Flow Statement) for the full year of 2007 were 40.1bn Tenge (\$327m) which is 19% lower than the full year of 2006.

Dividends paid to the Company's shareholders in 2007 were 35.7bn Tenge (\$291m).

## **Impact of acquisition of a 50% stake in Kazgermunai**

On 24 April 2007 KMG EP finalised the acquisition of a 50% stake in Kazgermunai. For the year ended 31 December 2007 following the acquisition of a 50% interest in Kazgermunai, the share of KMG EP of 27.6 bn Tenge in the net income of this joint venture was adjusted for non-cash fair value differences and recorded as 17.9bn Tenge (\$146m).

During the full year of 2007, Kazgermunai produced 3,055 thousand tonnes of oil (63.78 kbopd), 5.9% up compared to the full year of 2006. For the 251 days between the acquisition date and 31 December 2007 the Company's share in Kazgermunai crude oil production was 1,062 thousand tonnes (32.23kbopd).

KMG EP received \$300 million and a further \$75 million in dividends from Kazgermunai in November 2007 and March 2008 respectively.

## **Impact of acquisition of a 50% stake in CCEL**

On 12 December 2007 the Company completed the acquisition and received from State Alliance Holdings Limited (a holding company ultimately belonging to CITIC Group, a company listed on the Hong Kong stock exchange) a 50% participation interest in a holding company, CCEL, whose investments are involved in oil and natural gas production in western Kazakhstan, in particular from Karazhanbas field.

The Company has recognized the amount of US\$150 million (18,478 million Tenge) as a receivable from jointly controlled entity.

During the full year of 2007, CCEL produced 1,942 thousand tonnes of oil (35.54kbopd). A 50% share in CCEL crude oil production from the acquisition date to the end of the year 2007 was 48 thousand tonnes (15.88kbopd).

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The full consolidated financial statements for the year ended 31 December 2007 (audited) and the notes thereto are available at the Company's website ([www.kmgp.kz](http://www.kmgp.kz)). The full version Annual Report containing additional information on the company operations, corporate governance and risk factors will be published before the Annual General Meeting of shareholders. The financial statements for the year 2007 are subject to the Board of Directors' and shareholders' approval.

## Appendix<sup>2</sup>

### Key operating and financial indicators of KMG EP for the full year of 2007

Summary Operating Data, excluding Kazgermunai, CCEL

| <i>thousand tonnes</i> | Three months ended<br>December 31, |       | Year ended December 31, |       |
|------------------------|------------------------------------|-------|-------------------------|-------|
|                        | 2007                               | 2006  | 2007                    | 2006  |
| Crude oil production   | 2,422                              | 2,408 | 9,530                   | 9,530 |
| Crude oil exports      | 1,793                              | 1,750 | 7,354                   | 6,739 |
| Crude oil domestic     | 611                                | 539   | 2,230                   | 2,551 |

Summary of Condensed Consolidated Statements of Income

| <i>Tenge Millions</i>                          | Three months ended<br>December 31, |                   | Year ended December 31, |                 |
|--|------------------------------------|-------------------|-------------------------|-----------------|
|  | 2007<br>unaudited                  | 2006<br>unaudited | 2007<br>audited         | 2006<br>audited |
| Revenue  | 148,137                            | 98,483            | 486,975                 | 412,208         |
| Operating expenses                             | (58,582)                           | (58,147)          | (210,834)               | (193,398)       |
| <b>Profit from operations</b>                  | <b>89,555</b>                      | <b>39,204</b>     | <b>276,140</b>          | <b>218,810</b>  |
| Finance income (expense)                       | 4,435                              | 4,095             | 13,200                  | (40)            |
| Gain (loss) on disposal of subsidiaries        | -                                  | 0                 | 860                     | -               |
| Share of result of associates                  | 8,537                              | 74                | 17,430                  | (328)           |
| <b>Profit before tax and minority interest</b> | <b>102,526</b>                     | <b>44,505</b>     | <b>307,630</b>          | <b>218,366</b>  |
| Income tax expense                             | (48,888)                           | 10,233            | (150,511)               | (95,805)        |
| <b>Profit for the period</b>                   | <b>53,639</b>                      | <b>54,738</b>     | <b>157,119</b>          | <b>122,561</b>  |
| Attributable to:                               |                                    |                   |                         |                 |
| Equity holders of the Company                  | 53,639                             | 54,738            | 157,119                 | 122,561         |
| Minority interest                              | -                                  | -                 | -                       | -               |

Summary of Consolidated Statements of Cash Flows

| <i>Tenge Millions</i>   | year ended December 31, |                 |
|---|-------------------------|-----------------|
|   | 2007<br>audited         | 2006<br>audited |
| <b>Net cash generated from operating activities</b>                   | <b>172,961</b>          | <b>122,210</b>  |
| <b>Cash flows from investing activities</b>                           |                         |                 |
| Purchases of property, plant and equipment (PPE)                      | (40,095)                | (49,286)        |
| Sale of held-to-maturity and available-for-sale financial assets, net | (138,310)               | (170,235)       |
| Disposal of subsidiaries, net of cash disposed                        | 10,347                  | 3,653           |

<sup>2</sup> Rounding adjustments have been made in calculating some of the financial information included in the Appendix. As a result, figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

|   |                  |                  |
|---|------------------|------------------|
| Purchases of in a joint venture                       | (137,158)        | -                |
| Loan repayments received from related parties         | 97,540           | 37,012           |
| Interest received and other                           | 42,997           | (119,534)        |
| <b>Net cash provided used in investing activities</b> | <b>(164,679)</b> | <b>(298,389)</b> |
| Proceeds from borrowings                              | 1,995            | 7,681            |
| Repayment of borrowings                               | (8,175)          | (1,695)          |
| Dividends paid to Company's shareholders              | (35,705)         | (17,631)         |
| Interest paid and other                               | (3,089)          | (230,905)        |
| <b>Net cash used in financing activities</b>          | <b>(44,974)</b>  | <b>219,260</b>   |

Summary of Condensed Consolidated Balance Sheets

| <i>Tenge Millions</i>               | <b>December 31,<br/>2007<br/>audited</b> | <b>December 31,<br/>2006<br/>audited</b> |
|-------------------------------------|--|--|
| <b>ASSETS</b>                       |  |  |
| Non-current assets                  | 379,699                                  | 376,824                                  |
| Current assets                      | 472,153                                  | 358,114                                  |
| <b>Total assets</b>                 | <b>851,852</b>                           | <b>734,937</b>                           |
| <b>EQUITY</b>                       |  |  |
| Equity holders of the Company       | 646,442                                  | 525,752                                  |
| Minority interest                   | -  | 6  |
| <b>Total equity</b>                 | <b>646,442</b>                           | <b>525,758</b>                           |
| <b>LIABILITIES</b>                  |  |  |
| <b>Non-current liabilities</b>      | <b>62,735</b>                            | <b>100,844</b>                           |
| <b>Current liabilities</b>          | <b>135,333</b>                           | <b>108,336</b>                           |
| <b>Total liabilities</b>            | <b>205,410</b>                           | <b>209,180</b>                           |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>851,852</b>                           | <b>734,937</b>                           |

The following tables show the Company's realised sales prices adjusted for oil and oil products transportation and other expenses for the full year ended December 31, 2007 and 2006.

Netback analysis\*, for the full year of 2007

|   | UAS          | CPC<br>(US\$/bbl) | Other        |
|---|--------------|-------------------|--------------|
| Benchmark end-market quote <sup>(1)</sup> | 69.53        | 73.02             | -            |
| Realized price <sup>(2)</sup>             | 65.75        | 70.61             | 18.93        |
| Transportation                            | (6.13)       | (6.89)            | (0.83)       |
| Sales commissions                         | (0.07)       | (0.07)            | -            |
| Processing fees                           | -            | -                 | -            |
| <b>Adjusted realised price</b>            | <b>59.55</b> | <b>63.65</b>      | <b>18.10</b> |

Netback analysis\*, for the full year of 2006

|   | UAS          | CPC<br>(US\$/bbl) | Other        |
|---|--------------|-------------------|--------------|
| Benchmark end-market quote <sup>(1)</sup> | 60.99        | 65.23             | -            |
| Realized price <sup>(2)</sup>             | 57.57        | 61.32             | 19.22        |
| Transportation                            | (6.16)       | (5.93)            | (0.80)       |
| Sales commissions                         | (0.07)       | (0.07)            | (0.02)       |
| Processing fees                           | -            | -                 | (0.55)       |
| <b>Adjusted realised price</b>            | <b>51.34</b> | <b>55.32</b>      | <b>17.85</b> |

\* Excluding gas products, other sales and services

#### Reference information

|  | Full year ended December 31, |        |
|--|------------------------------|--------|
|  | 2007                         | 2006   |
| Average exchange rate \$/KZT*  | 122.55                       | 126.09 |
| Exchange rate \$/KZT as of 31 December 2006*   |                              | 127.00 |
| Exchange rate \$/KZT as of 31 September 2007*  | 120.30                       |        |
| *Source: The National Bank of Kazakhstan, the average exchange rates for the periods are calculated on the basis of the daily exchange rates |                              |        |
| Barrels to tonnes conversion ratio for KMG EP crude oil  |                              | 7.36   |
| Barrels to tonnes conversion ratio for Kazgermunai crude oil   |                              | 7.62   |
| Barrels to tonnes conversion ratio for CCEL crude oil  |                              | 6.68   |

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#### NOTES TO EDITORS

KMG EP is the 2nd largest Kazakh oil producer with over 10.6 mmt (217 kbopd) of crude oil production in 2007 including shares in production of Kazgermunai and CCEL, and 240 mmt (1.8bn bbl) of proved and probable reserves at the end of 2007 (over 2 bn bbl including interests in Kazgermunai and CCEL). The Company's shares are listed on Kazakhstan Stock Exchange and the GDRs are listed on London Stock Exchange. The Company raised approximately US\$2bn in its IPO in September of 2006.

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