

KazMunaiGas EP announces its financial results for the year ended December 31, 2006

Astana, 19 March, 2006. JSC KazMunaiGas Exploration Production (“KMG EP” or the “Company”) has released today the Company’s consolidated financial statements for the year ended December 31, 2006. The financial statements have been prepared in accordance with International Financial Reporting Standards and have been audited by Ernst & Young.

Profit after tax (net income) from continuing operations for 2006 was 122.6 bn Tenge, 180.1% higher than for 2005. The growth in net income was driven by favorable oil market conditions, production growth, continued cost control, release of certain accruals made in earlier periods and recent tax amendments to one of the subsoil agreements.

Commenting on the financial results for 2006, Askar Balzhanov, the CEO of the Company, said “These results mark the culmination of a very successful year for our company highlighted by our Stock Exchange listings in both Kazakhstan and London. These strong financial results position the company very well to pursue our growth strategy going forward.”

The Company’s revenues for 2006 increased by 18.1% year on year to 412.2 bn Tenge. This was primarily due to a 17% increase in the average realised price from 37,182 Tenge per tonne (38.70 USD per bbl) to 43,498 Tenge per tonne (47.71 USD per bbl) and a sales volume increase of 0.7% to 9.29 mn tonnes (187.3 kbopd). The average realised price went up primarily because of improved export prices. Exports accounted for 73% of 2006 sales in volume terms (71% in 2005).

Operating expenses in 2006 were 194.5 bn Tenge which is 12.5 bn Tenge less than in 2005. The reduction in operating expenses was primarily due to release of a provision for an environmental fine of 11.4 bn Tenge which was successfully challenged by the Company in court in 2006. In addition, materials and supplies expenses were reduced by 10.0 bn Tenge compared to 2005. This was partly offset by an increase in transportation and certain other expenses as well as by an impact of a change in accounting for social projects.

Operating cash flow was 122.2 bn Tenge in 2006, approximately 62.8% higher than for the prior year mainly due to favorable export oil prices and increased sales volumes.

Purchases of property, plant and equipment (capital expenditures, not including purchases of intangible assets, as per Cash Flow Statement) in 2006 were 49.3 bn Tenge or 20.4% less than in 2005, reflecting primarily the disposal of the Atyrau Refinery in 2005. Adjusting for the disposal, capital expenditures remained at approximately the same level.

Cash, cash equivalents and financial assets at the end of 2006 amounted to 391.8 bn Tenge compared to 94.1 bn Tenge at the end of 2005. During 2006 the Company received approximately 251.3 bn Tenge in proceeds from the placement of new shares successfully completed in October 2006 and paid 17.6 bn Tenge in dividends. Borrowings were 59.7 bn Tenge at the end of 2006 compared to 75.1 bn Tenge at the end of 2005.

The full consolidated financial statements, the notes thereto and the Operating and Financial Review are available at the Company’s website (www.kmgep.kz)

Appendix

Key operating and financial indicators of JSC KazMunaiGas Exploration Production

Summary operating data

<i>thousand tonnes</i>	For the year ended December 31,	
	2006	2005
Crude oil production	9,530	9,340
Crude oil exports	6,739	6,489
Crude oil domestic	2,551	2,733

Summary Consolidated Balance Sheets

<i>Tenge Millions</i>	December 31,	
	2006	2005
ASSETS		
Non-current assets	376,824	305,760
Current assets	358,114	130,623
Total assets	734,937	436,384
EQUITY		
Equity holders of the Company	525,752	173,653
Minority interest	6	80
Total equity	525,758	173,733
LIABILITIES		
Non-current liabilities	100,844	117,928
Current liabilities	108,336	144,723
Total liabilities	209,180	262,651
TOTAL EQUITY AND LIABILITIES	734,937	436,384

Summary Consolidated Statements of Income

	For the year ended December 31,	
<i>Tenge Millions</i>	2006	2005
CONTINUING OPERATIONS		
Revenue	412,208	348,888
Operating expenses	(194,530)	(207,034)
Profit from operations	217,678	141,854
Finance (expense) income	(116)	1,381
Share of result of associates	(328)	(286)
Profit before tax and minority interest	217,234	142,948
Income tax expense	(94,673)	(99,193)
Profit for the period from continuing operations	122,561	43,756
DISCONTINUED OPERATIONS		
Profit for the year from discontinued operations	-	1,521
Profit for the period	122,561	45,277
Attributable to:		
Equity holders of the Company	122,561	45,075
Minority interest	-	202

Summary Consolidated Statements of Cash Flows

	For the year ended December 31,	
<i>Tenge Millions</i>	2006	2005
Net cash generated from operating activities	122,210	75,054
Cash flows from investing activities		
Purchases of property, plant and equipment (PPE)	(49,286)	(61,916)
Purchases of held-to-maturity financial assets	(170,235)	(25,696)
Loans granted to related parties	(118,250)	(30,304)
Other	39,381	18,421
Net cash used in investing activities	(298,389)	(99,496)
Cash flows from financing activities		
Proceeds from the issue of shares	151,881	31
Transaction costs related to the issue of shares	(7,300)	-
Purchase of treasury shares	(3,818)	-
Proceeds from the issue of bonds	94,792	-
Proceeds from borrowings	7,681	71,002
Repayment of borrowings	(1,695)	(30,408)
Dividends paid to Company's shareholders	(17,631)	(3,409)
Other	(4,649)	(7,135)
Net cash from financing activities	219,260	30,082

The following tables show the Company's realised sales prices adjusted for oil and oil products transportation and other expenses for the years ended 31 December 2006 and 2005.

Netback analysis*, 2006

	CPC	UAS	Domestic	Total
Sales volume, thousand tonnes	1,663	5,076	2,551	9,290
Estimated market quote**, USD/bbl	65.23	60.99	n/a	n/a
Average realized price, USD/bbl	61.32	57.57	19.22	47.71
Adjusted realized price, net of transportation and selling expenses, USD/bbl	55.32	51.34	17.86	42.86

Netback analysis*, 2005

	CPC	UAS	Domestic	Total
Sales volume, thousand tonnes	1,536	4,953	2,733	9,222
Estimated market quote**, USD/bbl	53.50	50.52	n/a	n/a
Average realized price, USD/bbl	51.30	47.66	15.38	38.70
Adjusted realized price, net of transportation and selling expenses, USD/bbl	45.98	41.77	12.02	33.66

* *excluding gas products, other sales and services*

** *CPC Blend for CPC shipments, Urals RCMB for shipments via Uzen-Atyrau-Samara (UAS) pipeline*

Reference information

	2006	2005
Average exchange rate USD/KZT*	126.09	132.88
Exchange rate USD/KZT as of December, 31*	127.00	133.77

**Source: The National Bank of Kazakhstan*

NOTES TO EDITORS

JSC KazMunaiGas Exploration Production, headquartered in Astana, is the 3rd largest Kazakh oil and gas producing company with 205.9 mmt (1.5 bn bbl) of proved and probable reserves at the end of 2005 and over 9.5mmt/year (192 kbopd) of crude production in 2006. The Company's shares are listed on Kazakhstan Stock Exchange and the GDRs are listed in London. The company raised approximately US\$2 billion in its successful IPO in September of 2006.

The Company extracts hydrocarbon resources from 44 oil and gas fields located in the Atyrau and Mangistau regions in western Kazakhstan and is also engaged in onshore exploration activities, concentrated in the same areas.

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