

KazMunaiGas EP announces its financial results for the first 9 months of 2006

Astana, 29 December, 2006

JSC KazMunaiGas Exploration Production (“KMG EP” or the “Company”) has released today the Company’s condensed consolidated interim financial information for the first nine months of 2006. The financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”), has been neither audited nor reviewed by an independent auditor and is provided in accordance with the requirements of Kazakhstan Stock Exchange.

Profit for the period after tax (net income) from continuing operations for the first 9 months of 2006 was 67.8 bn Tenge, 60% higher than in the first nine months of 2005. The growth in net income was driven by favorable oil market conditions, production growth, continued cost control and release of certain accruals made in earlier periods.

The Company revenues for the first nine months of 2006 increased by 21.4% year on year to 310.7 bn Tenge. This growth was primarily due to a sales volume increase of 0.7% to 6.98 mn tonnes (188.2 kbopd) and a 21% increase in the average realised price from 35,946 Tenge per tonne (37.05 USD per bbl) to 43,583 Tenge per tonne (47.50 USD per bbl). The average realised price went up primarily because of improved export prices. Exports accounted for 71% of sales in the first nine months of 2006 in volume terms (70% in the first nine months of 2005).

Operating expenses in the first nine months of 2006 were 131.7 bn Tenge which is 3.1 bn Tenge (2.3%) less than in the same period in 2005. The reduction in operating expenses was primarily due to a 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, the amount of Management fees was reduced by 3.3 bn Tenge compared to the same period in 2005. This was partly offset by higher depreciation, depletion and amortisation, increased taxes other than income tax, higher energy, employee benefits, materials, transportation and other costs.

Operating cash flow was 65.2 bn Tenge in the first nine months of 2006, approximately 2% higher than in the same period of last year as the significantly improved pre-tax operating cash flow was largely offset by almost a two-fold increase in cash outflows related to income tax paid from 51.4 bn Tenge in the first nine months of 2005 to 101.1 bn Tenge in the first nine months of 2006.

Purchases of property, plant and equipment (capital expenditures, not including purchases of intangible assets, as per Cash Flow Statement) in the first nine months of 2006 were 36.3 bn Tenge or 10.5% less than in the same period of 2005. The reduction was due to the planned ongoing decrease in purchases of fixed assets.

Cash, cash equivalents and financial assets at the end of September 2006 amounted to 220 bn Tenge. The borrowings were 167.9 bn Tenge at the end of the period.

The full set of condensed consolidated interim financial information and the notes thereto are available at the Company’s website (www.kmgp.kz)

Appendix

Key operating and financial indicators of JSC KazMunaiGas Exploration Production

Summary operating data

<i>thousand tonnes</i>	9 months 2006	9 months 2005
Crude oil production	7,123	6,969
Crude oil exports	4,969	4,872
Crude oil domestic	2,012	2,061

Summary Consolidated Balance Sheets

<i>Tenge Thousands</i>	30 Sept 2006	31 Dec 2005
ASSETS		
Non-current assets	395,593,879	305,760,353
Current assets	185,777,096	130,623,355
Total assets	581,370,975	436,383,708
EQUITY		
Equity holders of the Company	224,861,573	173,653,027
Minority interest	5,884	79,536
Total equity	224,867,457	173,732,563
LIABILITIES		
Non-current liabilities	207,949,763	117,928,068
Current liabilities	148,553,755	144,723,077
Total liabilities	356,503,518	262,651,145
TOTAL EQUITY AND LIABILITIES	581,370,975	436,383,708

Summary Consolidated Statements of Income

For 9 months ended Sept 30,

<i>Tenge Thousands</i>	2006	2005
CONTINUING OPERATIONS		
Revenue	310,673,567	255,806,754
Operating expenses	(131,662,898)	(134,756,120)
Profit from operations	179,010,669	121,050,634
Finance income (expense)	(4,612,914)	1,121,717
Profit before tax and minority interest	174,397,755	122,172,351
Income tax expense	(106,574,485)	(79,787,447)
Profit for the period from continuing operations	67,823,270	42,384,904
DISCONTINUED OPERATIONS		
Profit for the year from discontinued operations	–	900,688
Profit for the period	67,823,270	43,285,592
Attributable to:		
Equity holders of the Company	67,823,173	43,143,676
Minority interest	97	141,916

Summary Consolidated Statements of Cash Flows

For 9 months ended Sept 30,

<i>Tenge Thousands</i>	2006	2005
Net cash generated from operating activities	65,174,328	63,893,153
Cash flows from investing activities		
Purchases of property, plant and equipment (PPE)	(36,250,375)	(40,481,958)
Purchases of held-to-maturity financial assets	(98,145,813)	(5,569,708)
Loans granted to related parties	(24,371,325)	(26,665,000)
Other	9,252,578	2,648,046
Net cash used in investing activities	(149,514,935)	(70,068,620)
Cash flows from financing activities		
Proceeds from borrowings	101,628,709	70,676,106
Repayment of borrowings	(1,627,679)	(21,686,710)
Dividends paid to Company's shareholders	(38,610)	(2,704,254)
Other	(2,015,442)	(2,307,357)
Net cash from (used in) financing activities	97,946,978	43,977,785

Netback analysis*, 9 m 2006

	CPC	UAS	Domestic	Total
Sales volume, thousand tonnes	1,141	3,828	2,012	6,982
Estimated market quote**, USD/bbl	66.96	62.55	n/a	n/a
Average realized price, USD/bbl	59.83	58.20	19.51	47.50
Adjusted realized price, net of transportation and selling expenses, USD/bbl	54.27	51.90	18.07	42.71

Netback analysis*, 9 m 2005

	CPC	UAS	Domestic	Total
Sales volume, thousand tonnes	1,223	3,650	2,061	6,933
Estimated market quote**, USD/bbl	53.54	49.42	n/a	n/a
Average realized price, USD/bbl	46.35	46.17	14.88	37.05
Adjusted realized price, net of transportation and selling expenses, USD/bbl	42.61	40.27	10.74	32.07

* *excluding gas products, other sales and services*

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

Reference information

	9 months 2006	9 months 2005
Average exchange rate USD/KZT*	125.51	133.53
Exchange rate USD/KZT as of 31 December 2005*		133.77
Exchange rate USD/KZT as of 30 September 2006*	127.22	
Barrells to tones conversion ratio for crude oil	7.36	

**Source: The National Bank of Kazakhstan*

NOTES TO EDITORS

JSC KazMunaiGas Exploration Production, headquartered in Astana, is the third largest crude oil producer in the Republic of Kazakhstan in terms of annual production volume based on 2005 data*.

The Company had proved plus probable oil reserves of approximately 1,515 million barrels as at 31 December 2005** and average daily oil production in 2005 of 188 thousand barrels per day. 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. The Company is majority owned by JSC NC KazMunaiGas ("NC KMG"), the national oil and gas company which is controlled by Kazakh state via state holding company JSC Samruk.

* *Source: Kazakhstan Ministry of Energy and Mineral Resources*

** *Source: Gaffney, Cline & Associates report, produced using SPE/WPC definitions*

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