

**Report of KazMunaiGas EP JSC**  
**for the 6 months ended June 30, 2007**  
**According to Listing Rules of Kazakhstan Stock Exchange**

This report on the financial results of JSC "KazMunaiGas" Exploration Production for the 6 months ended June 30, 2007 has been submitted to the Kazakhstan Stock Exchange under its Listing Rules. The Russian version of this report is considered to prevail over this English translation, which is made solely for the convenience of English speakers.

## **Section 1. Description of activity for reporting period**

### **1. Short description of the most significant events for the Company and for the industry it operates in, which occurred in the reporting period.**

On April 24, 2007 the Company acquired from JSC NC KazMunaiGas a 50% participation interest in JV KazGerMunai LLP which is involved in oil and gas production in South-Central Kazakhstan. The consideration paid amounted to 118.3 billion Tenge.

On May 18, 2007, at the Company's Annual General Meeting of Shareholders, a proposed dividend of 500 Tenge per share was approved. The date of record was established as May 28, 2007 and the total dividend amount to be paid is estimated at 37 billion Tenge.

On December 28, 2006 an option to purchase 50% of CCEL, a Kazakhstan based oil development company, was granted to JSC NC KazMunaiGas by CITIC Group. This option was in conjunction with the acquisition of CCEL by CITIC Group on October 25, 2006 for US\$ 1.91 billion, subject to certain price adjustments.

On May 29, 2007 the Company was given the right to exercise option of JSC NC KazMunaiGas and purchase 50% of CCEL from CITIC Group in return for a payment equal to 50% of CITIC Group's original acquisition price, subject to certain price adjustments. The Company has until September 1, 2007, extendable by mutual agreement, to exercise this right. On August 27, 2007 the option exercise date was extended until November 1, 2007.

On July 27, 2007 the Company repaid in advance the Subloan amount of 6,97 billion Tenge to JSC NC KazMunaiGas under the terms of the World Bank loan # 4061, which fully discharges the Company's financial obligations under the above loan agreement.

### **1. Volume of products sold (rendered services):**

<b>Volume of products sold (rendered services)</b>	<b>Unit of measure</b>	<b>For the 2 quarter of 2007</b>	<b>For the year-to-date, total</b>
<b>Sold total, including:</b>			
Crude oil	tons	2 375 821	4 708 932
Refined products	tons	-	-
Gas products:			
Liquid gas	tons	2 028	39 618
Dry gas	ths.cubic meters	-	111 996
Drink water	ths.cubic meters	876	1 748
Other sale		-	-
<b>Sold for export, including:</b>			
Crude oil	tons	1 792 345	3 670 913
Refined products	tons	-	-
Other sale		-	-

## **Section 2. Management and shareholders re-structuring, participation in charter capital of other legal entities.**

### **1. Changes in the composition of executive and supervising bodies for the reporting period.**

On the basis of the resolution of the Board of Directors of KazMunaiGas EP JSC the composition of the Executive Board of the Company has been amended as follows:

on 26 January 2007 the powers of M.Sh. Izbasov were terminated, B.L. Biseken was elected.

**2. Information on all major transactions concluded with company shares during the report period, and changes in the composition of the company shareholders holding shares in the amount of five or more per cent of total placed amount.**

There were no major transactions concluded with shares during the report period.

**3. Information on all transactions of the Company with shares and participatory interests in other legal entities in the amount of five percent or more.**

On 24 April 2007 the Company finalized the acquisition of a 50% stake in KazGerMunai JV LLP from JSC NC KazMunaiGas.

On 5 May 2007 the Company sold its 99% interest in JSC Sanatorium Atyrau via tender process of which Dan Is Service LLP is the winner.

On 31 May 2007 the Company sold 100% stake in Embamunaiavtomatica LLP via tender process of which Dasu JSC is the winner.

On 1 July 2007 the Company sold 100% stake in Avtoremontnoye upravlenie LLP via tender process of which BatysInterResurs LLP is the winner.

**4. Information on participation for the period of report in associations, industrial, financial groups, holding companies, concerns, consortiums.**

For the period of report the Company did not participate in associations, industrial, financial groups, holding companies, concerns, consortiums.

**Section 3. Financial information**

**1. Investments.**

(30.06.2007, ths. tenge)

Type of investments	Opening balance	Debit	Credit	Closing balance
Long-term investment in capital of other legal entities	2 884 207	125 506 773	2 733 126	125 657 854
Security holdings, total	4 979 605	6 922 135	4 057 283	7 844 457
including:				
Government securities	3 937 621	-	3 937 621	-
Non-government securities	1 041 984	6 922 135	119 662	7 844 457
Other investment	-	-	-	-
<b>Total investment</b>	<b>7 863 812</b>	<b>132 428 908</b>	<b>6 790 409</b>	<b>133 502 311</b>

**2. Accounts receivable.**

(30.06.2007, ths. tenge)

Accounts receivable type	End of period	Debit	Credit	Beginning of year
<b>Long term receivables</b>				
Trade receivables, incl. major debtors with location indicated:				
Advances and prepaid expenses, incl. major debtors with location indicated:	2 434 586	4 019 740	2 355 284	770 130
<i>Pavlodar heavy engineering plant</i>			133 797	133 797
<i>KazMunaiGas stationary drilling platform LLP - Drilling</i>	56 076	903 973	847 897	-
<i>Dask Drilling LLP</i>	247 491	533 500	286 009	-

<i>Pre-Caspian machine-building complex</i>	578 542	578 542	-	-
<i>Barys Kulsary LLP</i>	190 829	238 283	47 454	-
Prepaid expenses	874 447	476 741	176 371	574 077
Other debt	-	-	63 484	63 484
Allowance for doubtful accounts	-	-	-	-
<b>Total long-term receivables</b>	<b>2 434 586</b>	<b>4 019 740</b>	<b>2 418 768</b>	<b>833 614</b>
<b>Current receivables</b>				
Trade receivables, incl. major debtors with location indicated:	44 200 485	223 126 185	216 199 138	37 273 438
<i>Trade House KazMunaiGaz AG</i>	31 081 552	152 204 484	146 773 849	25 650 917
<i>Esomet SAS</i>	8604866	44177598	43289134	7 716 402
<i>Trade House KazMunaiGaz</i>	401 211	20 209 995	19 808 784	-
Advances and prepaid expenses, incl. major debtors with location indicated:	3 524 835	23 182 284	24 610 277	4 952 828
<i>Caspian pipeline Consortium</i>	544 864	414 9811	3 604 947	-
<i>JSC NC KazMunaiGas</i>	-	806 378	806 378	-
<i>JSC KazTransOil</i>	1 309 728	14 813 693	17 014 681	3 510 716
<i>Prepaid expenses</i>	703 682	525 115	395 510	574 077
Other debt	503 410	26 361 200	29 236 243	3 378 453
Allowance for doubtful accounts	-1 008 772	1 077 485	-1 209 033	-3 295 290
<b>Total long-term receivables</b>	<b>47 219 958</b>	<b>273 747 154</b>	<b>268 836 625</b>	<b>42 309 429</b>
<b>Total receivables</b>	<b>49 654 544</b>	<b>277 766 894</b>	<b>271 255 393</b>	<b>43 143 043</b>

### 3. Loans.

(30.06.2007., ths. tenge)

Name of creditor on loan	Loan currency	Average rate, % per annum	Opening balance	Debit	Credit	Closing balance	Maturity date
Loan from the World Bank № 4061	US dollar	5.43	5 550 798	1 407 300	2 527 582	6 671 080	Aug 2007
Loan from the World Bank № 3744	US dollar	7.43	169 315	174 251	4 936	-1	Apr 2007
Esomet	US dollar	5.7	51 094 760	13 615 263	2 793 346	40 272 843	Sep 2009
Loan from the Sultanate of Oman	US dollar	4.87	1 149 807	51 325	22 411	1 120 893	not defined
Past costs	US dollar	7.93	1 038 758	107 492	-	931 266	Dec 2009 - Dec 2025
Other long-term loans	US dollar	16	2 616	1 900	-	716	2008
Short-term loans	Tenge	14.29	661 640	657 683	63 500	67 457	2007
<b>Total</b>			<b>59 667 694</b>	<b>16 015 214</b>	<b>5 411 775</b>	<b>49 064 255</b>	

(30.06.2007, ths. tenge)

Name of creditor on loan	End-of-period loan sum, total	Payable sum					
		3-4 quarter 2007	2008	2009	2010	2011	2012
Loan from the World Bank № 4061	6 671 080	6 671 080	-	-	-	-	-
Loan from the World Bank № 3744	-	-	-	-	-	-	-
Esomet	40 272 843	9 079 118	18 158 237	13 035 488	-	-	-
Loan from the Sultanate of Oman	1 120 893	1 120 893	-	-	-	-	-
Past costs	931 266	-	43 468	62 257	62 257	62 257	62 257
Other long-term loans	716	-	716	-	-	-	-
Short-term loans	67 457	67 457	-	-	-	-	-
<b>Total</b>	<b>49 064 255</b>	<b>16 938 548</b>	<b>18 202 421</b>	<b>13 097 745</b>	<b>62 257</b>	<b>62 257</b>	<b>62 257</b>

#### 4. Account payable, concerned with performing core activities.

(30.06.2007, ths. tenge)

Type of account payable	End period	Debit	Credit	Beginning of year
<b>Long-term payable</b>				
Trade payable, incl. major debtors with location indicated:	-	-	-	-
Advances and prepaid expenses, incl. major debtors with location indicated:	-	-	-	-
Other debt	-	-	-	-
<b>Total long-term payables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Current payables</b>				
Trade payable, incl. major debtors with location indicated:	27 436 567	66 239 421	73 163 849	20 512 139
<i>ABN AMRO TRANSTIS LIMITED</i>	875 791	7 523 196	6 558 557	1 570 430
<i>JSC MunaiFieldService</i>	721 551	3 200 006	3 329 509	592 048
<i>Pre-Caspian machine-building complex</i>	466 803	1 502 214	1 269 453	699 564
<i>JSC NC KazMunaiGas</i>	1 219 800	1 959 301	1 147 163	2 031 938
<i>Aktobe Oil Equipment plant</i>	320 206	1 630 180	1 950 386	-
<i>Trade House KazMunaiGaz</i>	345 558	19 177 148	19 522 706	-
<i>LLP LTD Khazar Oil</i>	-	843 193	-	843 193
Advances and prepaid expenses, incl. major debtors with location indicated:				
Other debt	56 336 118	30 588 534	66 979 062	19 945 590
<b>Total current payables</b>	<b>83 772 685</b>	<b>96 827 955</b>	<b>140 142 911</b>	<b>40 457 729</b>
<b>Total accounts payable</b>	<b>83 772 685</b>	<b>96 827 955</b>	<b>140 142 911</b>	<b>40 457 729</b>

#### 5. Financial results analysis.

ths. tenge

Article of income / Expenses	6 months ended 30 June, 2006	6 months ended 30 June, 2007	Deviation	Increase / Decrease, %
<b>Revenue, total</b>	<b>202 723 459</b>	<b>209 938 935</b>	<b>7 215 476</b>	<b>3.56</b>
Incl. Domestic:				
Crude oil	16 347 236	17 425 625	1 078 389	6.60
Refined products	4 905 778		-4 905 778	-100.00
Gas products	1 704 835	2 036 425	331 590	19.45

Other sales and services	1 808 516	1 783 168	-25 348	-1.40
Export:				
Crude oil	177 957 094	188 693 717	10 736 623	6.03
Refined products	-	-	-	-
Other sales and services	-	-	-	-
<b>Finance (expense) income, total</b>	<b>-4 532 891</b>	<b>4 936 167</b>	<b>9 469 058</b>	<b>-208.9</b>
Financial income	3 031 181	14 351 974	11 320 793	373.48
Financial expense	-3 717 959	-3 791 108	-73 149	1.97
Foreign exchange (losses) gains	-3 846 113	-5 624 699	-1 778 586	46.24
<b>Operating expenses, total</b>	<b>82 697 190</b>	<b>99 899 138</b>	<b>17 201 948</b>	<b>20.8</b>
Incl.:				
Transportation	22 734 786	25 084 855	2 350 069	10.34
Employee benefits	17 281 509	18 735 556	1 454 047	8.41
Depreciation, depletion and amortization	14 469 805	16 697 457	2 227 652	15.40
Repairs and maintenance	8 392 329	7 564 374	-827 955	-9.87
Royalties	7 396 026	7 289 760	-106 266	-1.44
Materials and supplies	5 619 881	6 215 554	595 673	10.60
Other taxes	3 368 761	2 617 087	-751 674	-22.31
Social projects	3 787 888	1 649 996	-2 137 892	-56.44
Management fees and commissions	3 773 312	4 044 623	271 311	7.19
Energy	3 261 443	3 996 698	735 255	22.54
Fines and penalties	-281 010	2 164 459	2 445 469	-870.24
Environmental fine	-11 427 958	-	11 427 958	-100
Other	4 320 418	3 838 719	-481 699	-11.15

## 6. Other relevant information.

- volume of investment in primary production

for the 6 months ended 30 June, 2007 investment in fixed assets made 19 816 175 thousand tenge, incl.:

in oil and gas assets – 276 676 thousand tenge;

in other fixed assets – 770 180 thousand tenge;

in under construction – 18 769 319 thousand tenge.

- bringing into service new production capacities or reduction of operational ones (shops, organization departments, other)

for the accounting period the Company has not brought into service new production facilities and has not reduced any operational facilities.

- changes in the range of output products

for the accounting period there has not been any changes in the range of output products

- establishment of branches and/or representative offices of emitter with total headcount and location indicated

for the accounting period the Company has not established any branches and/or representative offices

- implementation of new technologies

for the accounting period no new technologies have been implemented by the Company

- development or contraction of emitter's production distribution market

for the accounting period there have been no development or contraction made by the Company

- composition of major suppliers and/or emitter's consumer

Suppliers having more than five per cent of all deliveries of commodities and materials:

#	Supplier	Location	Description	Share
1	Leman-Kazakhstan LLP	Almaty	tubular goods	7.84%
2	Almatyneftekhim LLP	Almaty	chemicals	9.58%
3	Kaskor-Mashzavod JSC	Aktau	rocking engineering tools and spare parts	5.78%
4	Pre-Caspian machine-building complex LLP	Aktau	oil field equipment	10.51%
5	Aktobe plant of oil equipment JSC	Aktobe	oil-well tubing, rods	19.85%

**First Deputy General Director**

**V. Miroshnikov**

**Chief Accountant**

**R. Kuzenbayev**