

PRESS - RELEASE

JSC KazMunaiGas Exploration Production announces its financial results for the 9 months ended September 30, 2007

Astana, 10 December 2007, JSC KazMunaiGas Exploration Production (“KMG EP” or “the Company”), has today released its unaudited, condensed consolidated interim financial results for the 9 months ended 30 September 2007 reviewed by Ernst & Young.

- An increase of crude oil production, including the Company’s share in production of JV Kazgermunai LLP (“Kazgermunai“), by 641 thousand tonnes to 7,763 thousand tonnes
 - Average daily production of over 209.93 kbopd
- 52.6% growth in net income to 103.5 bn Tenge (US\$840m)¹
 - 25.1bn Tenge (US\$252m) growth in revenues
 - 8.9bn Tenge (\$72m) increase in net income contributed from the Company’s 50% share of Kazgermunai
- 291.1bn Tenge (\$2.4bn) of net cash as of 30 September 2007
 - On 28 November KMG EP received \$300m in dividends from Kazgermunai

Commenting on the financial results for the 9 months of 2007, Askar Balzhanov, the CEO of the Company, said: "The strength of our financial results for the first nine months of the year reflects the ability of our strategy to deliver strong returns for shareholders. We have seen an immediate financial and production benefit from the acquisition of our stake in Kazgermunai, and we expect the growth trend enjoyed during the first nine months of the year to continue going forward."

Production Highlights

The Company produced 7,763 thousand tonnes (209.93 kbopd) of crude oil that was 641 thousand tonnes more than for the 9 months of 2006. The increase was primarily due to the acquisition of a 50% stake in Kazgermunai completed on 24 April 2007. In the period of 159 days between the acquisition date and 30 September 2007 the Company’s share in Kazgermunai production was 656 thousand tonnes (31.43 kbopd).

Excluding Kazgermunai, for the 9 months of 2007 the Company’s production was in line with the production plan, at 7,108 thousand tonnes of crude oil (191.62 kbopd), approximately the

¹ 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.

² 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.

same level as for the 9 months of 2006. For the 9 months of 2007, excluding oil produced by Kazgermunai, the Company supplied 7,180 thousand tonnes of crude oil (193.56 kbopd) to the market, including 5,561 thousand tonnes (149.91 kbopd) supplied to export markets, an increase of 11.5% over the 9 months of 2006.

Financial Highlights

Profit after tax (net income) for the 9 months of 2007 was 103.5bn Tenge (\$840m). This is 52.6% higher than for the 9 months of 2006. The net income increase is attributable to higher prices received for crude, a favorable movement in the export to domestic sales mix, inclusion of Kazgermunai results, increased financial income and some decrease in the effective tax rate. These positive factors were partially offset by increases in foreign exchange loss and operating expenses. The latter was driven primarily by the non recurrence of the one off release of a provision for an environmental fine of 11.4 bn Tenge in 2006.

KMG EP's revenues for the 9 months of 2007 increased by 8.0% to 338.8bn Tenge (\$2,751m). This was primarily due to an increase in sales volume of 7.9% and 2.5% increase in the average realised price from 43,894 Tenge per tonne (\$48.37 per bbl) to 46,184 Tenge per tonne (\$51.87 per bbl). For the 9 months of 2007 exports accounted for 77% of the sales in volume terms (versus 71% for the 9 months of 2006). In US dollar terms, revenues increased by 10.1 % year-on-year.

Operating expenses were 152.3bn Tenge (\$1,236m) for the 9 months of 2007, 5.6bn Tenge higher than for the 9 months of 2006, net of the reversal of the environmental fine in 2006. The increase in operating expenses was driven primarily by an increase in transportation costs associated with export, an increase in employee benefits expenses, a growth in reserves for fines and penalties and an increase of depreciation, depletion and amortisation. Profit from operations was 186.6bn Tenge (\$1,515m) for the 9 months of 2007, 19.5bn Tenge up in comparison with the 9 months of 2006, adjusted for the environmental fine reversal.

Operating cash flow was 109.3bn Tenge (\$888m) for the 9 months of 2007, approximately 67.7% higher than for the 9 months of 2006. During the 9 months of 2007 the Company acquired Kazgermunai for the amount of 118.3bn Tenge (\$960m) that was recognised as cash outflow used in investing activities.

Purchases of property, plant and equipment (capital expenditures, not including purchases of intangible assets, as per Cash Flow Statement) for the 9 months of 2007 were 28.4bn Tenge (\$231m) which is 20.0% lower than the 9 months of 2006. KMG EP's full year capital expenditures in 2007, calculated on a cash basis, are expected to decrease to 40bn Tenge compared to 2006 actual capital expenditures of 49.3bn Tenge.

Dividends paid to the Company's shareholders for the 9 months of 2007 were 35.6bn Tenge (\$289m).

Net cash (cash, cash equivalents and financial assets net of borrowings) at the end of the 9 months of 2007 amounted to 290.8 bn Tenge (\$2,404m) compared to 332.1 bn Tenge (\$2,615m) at the end of 2006.

Impact of acquisition of a 50% stake in Kazgermunai

On 24 April 2007 KMG EP finalised the acquisition of a 50% stake in Kazgermunai. KMG EP recorded 8.9bn Tenge (\$72m) in its net income for the 9 months ended 30 September 2007

representing its 50% share of Kazgermunai 31.6bn Tenge net income for the corresponding period adjusted for non-cash fair value differences reflecting accounting of Kazgermunai acquisition.

During the first 9 months of 2007, Kazgermunai produced 2,240 thousand tonnes of oil (62.52 kbopd), 5.6% up compared to the first 9 months of 2006.

On 28 November 2007 KMG EP received \$300m in dividends from Kazgermunai.

The full condensed consolidated interim financial information for the 9 months ended 30 September 2007 (unaudited) and the notes thereto are available at the Company's website (www.kmgep.kz).

Appendix

Key operating and financial indicators of KMG EP for the first 9 months of 2007²

Summary Operating Data, excluding Kazgermunai

<i>thousand tonnes</i>	Three months ended September 30,		9 months ended September 30,	
	2007	2006	2007	2006
Crude oil production	2,447	2,472	7,108	7,123
Crude oil exports	1,835	1,694	5,561	4,989
Crude oil domestic	581	679	1,619	2,012

Summary of Condensed Consolidated Statements of Income

<i>Tenge Millions</i>	Three months ended September 30,		9 months ended September 30,	
	2007 unaudited	2006 unaudited	2007 unaudited	2006 unaudited
Revenue	128,899	111,001	338,838	313,725
Operating expenses	(52,353)	(52,554)	(152,253)	(135,251)
Profit from operations	76,546	58,448	186,586	178,474
Finance income (expense)	4,045	322	8,765	(4,135)
Gain (loss) on disposal of subsidiaries	644	-	860	(76)
Share of result of associates	6,233	(255)	8,893	(402)
Profit before tax and minority interest	87,468	58,515	205,104	173,861
Income tax expense	(42,083)	(40,911)	(101,624)	(106,038)
Profit for the period	45,386	17,604	103,480	67,823
Attributable to:				
Equity holders of the Company	45,386	17,604	103,480	67,823
Minority interest	-	-	-	-

Summary of Consolidated Statements of Cash Flows

9 months ended September 30,

<i>Tenge Millions</i>	2007 unaudited	2006 unaudited
Net cash generated from operating activities	109,322	65,174
Cash flows from investing activities		
Purchases of property, plant and equipment (PPE)	(28,438)	(36,250)
Sale of held-to-maturity and available-for-sale financial assets, net	(25,010)	(98,146)
Disposal of subsidiaries, net of cash disposed	10,347	3,645
Purchases of in a joint venture	(118,713)	-
Loan repayments received from related parties	97,440	10,641
Interest received and other	12,733	(29,404)
Net cash provided used in investing activities	(51,641)	(149,515)
Proceeds from borrowings	1,995	101,629
Repayment of borrowings	(8,136)	(1,628)
Dividends paid to Company's shareholders	(35,560)	(39)
Interest paid and other	(2,606)	(2,015)
Net cash used in financing activities	(44,307)	97,947

Summary of Condensed Consolidated Balance Sheets

<i>Tenge Millions</i>	September 30, 2007 unaudited	December 31, 2006 audited
ASSETS		
Non-current assets	395,140	376,824
Current assets	394,658	358,114
Total assets	789,798	734,937
EQUITY		
Equity holders of the Company	593,714	525,752
Minority interest	-	6
Total equity	593,714	525,758
LIABILITIES		
Non-current liabilities	78,861	100,844
Current liabilities	117,223	108,336
Total liabilities	196,084	209,180
TOTAL EQUITY AND LIABILITIES	789,798	734,937

The following tables show the Company's realised sales prices adjusted for oil and oil products transportation and other expenses for the 9 months ended September 30, 2007 and 2006.

Netback analysis*, for the 9 months of 2007

	CPC	UAS	Domestic	Total
Sales volume, thousand tonnes	1,577	3,984	1,619	7,180
Estimated market quote, \$/bbl	67.75	64.09	n/a	n/a
Average realized price, \$/bbl	64.49	60.31	18.81	51.87
Adjusted realized price, net of transportation and selling expenses, \$/bbl	57.83	54.14	18.00	46.80

Netback analysis*, for the 9 months of 2006

	CPC	UAS	Domestic	Total
Sales volume, thousand tonnes	1,141	3,848	2,012	7,002
Estimated market quote, \$/bbl	66.82	62.58	n/a	n/a
Average realized price, \$/bbl	63.98	58.88	19.42	48.37
Adjusted realized price, net of transportation and selling expenses, \$/bbl	58.01	52.83	18.16	43.72

* Excluding gas products, other sales and services

Reference information

9 months ended September 30,

	2007	2006
Average exchange rate \$/KZT*	123.15	125.51
Exchange rate \$/KZT as of 31 December 2006*		127.00
Exchange rate \$/KZT as of 30 September 2007*	120.96	
<i>*Source: The National Bank of Kazakhstan, the average exchange rates for the periods are calculated on the basis of the daily exchange rates</i>		
Barrels to tonnes conversion ratio for KMG EP crude oil		7.36
Barrels to tonnes conversion ratio for Kazgermunai crude oil		7.62

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NOTES TO EDITORS

KMG EP is one of the largest Kazakh oil and gas producing company with over 9.5 mmt (192 kbopd) of crude production in 2006 and 203.2 mmt (1.5 billion bbl) of proved and probable reserves at the end of 2006. In 2007 the Company announced acquisition of 50% stakes in Kazgermunai and Karazhanbasmunai that made the Company the 2nd oil producer in Kazakhstan. The Company's shares are listed on Kazakhstan Stock Exchange and the GDRs are listed on London Stock Exchange. The Company raised approximately US\$2 billion in its IPO in September of 2006.

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