

PRESS RELEASE

**KPO Delivers Outstanding Performance in 2007
Astana, 17 March 2008**

Karachaganak, one of Kazakhstan's largest producing fields, delivered an outstanding performance in 2007, setting record levels of production and meeting a number of key milestones.

Last year marked the 10th Anniversary of the signing of the Karachaganak Final Production Sharing Agreement (FPSA) – an important milestone for both Karachaganak Petroleum Operating Company (KPO) and the development of Kazakhstan's hydrocarbon sector.

In a little over ten years, there has been considerable development of the field and in

2007, Karachaganak produced over 133 million barrels of oil equivalent, a level not seen before from these facilities.

Today, Karachaganak is Kazakhstan's largest gas producing field, accounting for some 49% of the country's total gas production and around 18% of total liquids production.

Achieving this level of production is no small feat. The facilities utilise leading production and hydrocarbon processing technology and are operated in accordance with the highest safety and environmental protection standards.

During the year there was a considerable improvement in safety and environmental performance at Karachaganak. Reductions in both lost time injury rates and emission levels from the field were significant. In 2007, KPO achieved over 17 million injury free man hours without any days lost due to safety incidents and achieved gas utilisation of 99.65%, an improvement over the already outstanding 99.40% of 2006.

KPO also met its FPSA



nationalisation targets ahead of schedule. Today, some 40 percent of all management positions within the venture are held by local Kazakh professionals. Going forward, KPO intends to intensify its efforts in local training and development to deliver improved performance in this area.

During 2007, KPO also completed a number of key social projects, including the refurbishment of the Uralsk Hospital's surgical wing and the local sports stadium. To date, the venture has invested over \$133 million in local social infrastructure projects and this will more than double in the coming years with the construction of the Karachaganak to Uralsk Gas Pipeline project. This project will bring much needed energy to local communities within the West Kazakhstan Oblast.

Commenting on 2007 performance, KPO General Director Roger Fox said:

"With the support of the Republic and KazMunaiGaz, KPO has been able to achieve a great deal in the last ten years and particularly during 2007. I would like to extend

my sincere thanks to the Ministry of Energy & Mineral Resources and KazMunaiGaz (KMG) for their ongoing support. Our long-term partnership with both KMG and the Republic of Kazakhstan will be central to our continued success as we move toward the next phase of development.

Karachaganak not only represents vast resources and significant value for the Republic, its development has also brought enormous benefits to the communities within the West Kazakhstan Oblast. While we are focused on the continued development of the field, we also contribute to the Republic's sustainable development agenda through social project support, infrastructure development and enhancing the knowledge and skills of local Kazakh people and our contracting companies."



KPO REACHES ANOTHER MAJOR MILESTONE WITH OVER 200 MILLION BARRELS OF OIL LOADED FOR EXPORT TO WESTERN MARKETS



1. Peter Costello, KPO Marketing Director.

On 10 March, KPO reached another important milestone with the loading of some 200 million barrels of oil since exports through the Caspian Pipeline Consortium (CPC) line commenced in 2004.

This milestone was achieved during the recent loading of the DOMUS AUREA tanker at the CPC marine terminal in Yuzhnaya Ozereevka on the Black Sea.

Commenting on the achievement, Peter Costello, KPO Marketing Director said: "This milestone follows closely after the successful loading of the 300th vessel and since commencing

exports, some 200 million barrels have been lifted without a single marine incident.

"This is an outstanding achievement which has been made possible by our coordinated efforts within KPO and with our Trading Affiliates and the Authorities. I would also like to make particular mention of the excellent work of the CPC organisation."

Ensuring the efficient and timely loading operations at the marine terminal requires commitment to the highest safety standards, industry best practice and cooperation. As a responsible shipper KPO strives to achieve operational excellence

by effectively and proactively resolving issues and fostering beneficial partnerships with key stakeholders.

Processed oil from the Karachaganak Processing Complex is injected into CPC pipeline system in Atyrau and moved across Russia in one common stream with crude oil from other fields. It is delivered to the CPC shore facilities on the Black Sea where it is loaded. At the point of loading, the blend is comprised of various crudes including KPO's oil. It is distinctly recognised in the market as CPC Blend and is quoted worldwide at international prices.



2. DOMUS AUREA tanker at the CPC marine terminal



BG HSSE managers at KPO radio show

Recently the BG Group General Manager of HSSE, Don Lloyd and Chief Safety Engineer, Mark Nishapati visited KPO. The main purpose of their visit was to better understand KPO's business including aspects of process safety and environmental management.

Their visit to KPO enabled them to see first hand how parent company policies and HSE performance standards are applied in joint venture projects and how KPO engages with local communities. During their stay at KPO, they were taken to Radio Aksai to observe the children's road safety phone-in competition and observe how KPO's work in safety extends into the Aksai community. While visiting Radio Aksai the two BG HSSE managers took to the airwaves to help judge a road safety competition for schoolchildren.

Specifically aimed at schoolchildren, the KPO Road Safety Programmes, alternate between Russian and Kazakh to suit school timetables. The radio quiz is designed to find out how much pupils have learned about road safety from reading special school diaries handed out by KPO at the start of each academic year.



Callers to the 'Don and Mark' morning show each won a KPO high visibility school bag. After the show, Don handed out prizes to the winners of the competition.

Before departing, Don and Mark paid tribute to the safety team for their efforts in building closer relationships with the local communities.

Marketing is a serious issue

The completion of the construction of new production sites at the Karachaganak field, which lasted for the last several years, made it possible for KPO to considerably increase gas and liquid hydrocarbons production, which require a guaranteed and profitable sale on the international market.

Organising the sale of the product is the last stage of the entire production cycle and generally, it is one of the most important stages in the work of the whole enterprise.

While production is important, it is one half of the story. The resulting product needs to then sold properly and profitably and this is the main objective of the KPO Marketing Directorate. In order to achieve this, the Marketing Directorate invests considerable time in establishing close and mutually beneficial partnerships with buyers. It maintains a flexible sales policy and the KPO's marketing specialists search for reliable buyers for the crude hydrocarbon materials being produced at Karachaganak. They also participate in concluding commercial contracts and agreements with the various buyers.

The purpose of the Marketing Directorate is to supply products to the market via the most advantageous routes, while at the same time pursuing the strategic goal of creating additional export routes during the development of Phase III.

The marketing team at KPO works across both the main operations in Aksai and also in London. While the local team in Aksai is primarily focused on existing operations, the main activities of the London team are to develop commercial agreements and investigate new export routes.

The expansion of export capacity, which is necessary for the sale of the expected volumes following the completion of the 4th Train and the Phase III developments, will definitely increase the Marketing Directorate's workload. In addition, KPO plans to increase its annual production rate to more than 10 million tonnes of liquid hydrocarbons and 12 million cubic metres of gas in the near future, which will serve as an additional incentive for the development of Kazakhstan's economy.

KPO ECOLOGISTS VISIT JAPAN

In late 2007 an International seminar on environmental monitoring was held in Tokyo, Japan. The seminar was attended by KPO ecologists from Environment departments and Kazakhstan officials representing Ministry of Energy and Mineral Resources, Ministry of Environmental Protection, Ministry of Health, and KazMunayGas.

The visit, which was led by the Corporate Environment Department, provided an opportunity to study and compare international experience and best practice in air emission monitoring by oil and gas companies in deeply industrialised countries and densely populated regions.

The seminar was organized by Unico International Corporation and KazMunayGas. As part of FPSA commitments KPO, under the guidance of KazMunayGas, annually organizes training seminars for officials of State Authorities so that they can familiarise themselves with international experience in managing business activities at operating oil gas fields.

The ten-day seminar covered

lectures and practical studies involving several visits to production facilities. The participants attended a seminar providing an overview of the Japanese oil and gas industry and environmental regulations particularly focusing on air emission monitoring and sanitary regulation. In addition, during their stay in Japan the Kazakh delegation visited a number of leading Japanese companies such as Hitachi and Mitsui, and also toured the Kyokuoto refinery and Nagaoka oil and gas field. Kazakhstan guests were briefed on latest technologies in oil and gas production and transportation.

According to Francesco Trombetta, the seminar was very productive and well organised. "Both sides discussed differences in Kazakhstani and Japanese environmental legislation. In Japan emission regulation does not involve payments for nature use and specific taxes are connected with particular pollutant emissions. Protection of health and environment is guaranteed by continuous monitoring of emissions", said Francesco.

Commenting on the visit,



Kazakhstan delegation with their Japanese colleagues

Francesco went on to say: "I was delighted to visit Japan and I think it was a worthwhile trip for all of us. Our Japanese colleagues upheld their tradition

of hospitality and friendliness and were very cooperative and respectful. At one refinery they even hung the Kazakhstan national flag. We were very

impressed with the presentations and everybody showed special interest in Japanese technology for oil and gas production and transportation."

Gianluca says hello from remote Italy



Gianluca Chiarenza with his Kazakh colleague

KPO has recently received two boxes of books in Russian and Italian languages from the association "Aksaicultura" which is based in Italy. One box of books in Russian is addressed for children of Uralsk orphanage and the other in Italian for the Italian school "Aksai-Cultura" which is based at Czech Camp.

The books were sent by Gianluca Chiarenza who used to work at KPO in 2002 as Material Maintenance Specialist. Mr Chiarenza is considered to be a founder of the Italian school "Aksai-Cultura". Although he is no longer with the Project, the Italian school is continuing to successfully operate here in Aksai. The history of the Italian school opening in Aksai is as follows: After being contacted several times Gianluca has finally agreed to a request from his Kazakh colleagues to teach them Italian and at that time he did not know what he was letting himself in for.

He started holding two evening classes a week for his friends, but then others discovered what was happening and asked to join the lessons. He had never taught before, but he really did enjoy it. Everyone was so enthusiastic and he got a great deal of satisfaction from the fact that they were learning his language. Things became so hectic that Gianluca had to recruit others to help him. When Gianluca was not working or teaching, he found time to paint and his artistic efforts have helped a children's boarding school in Uralsk. He sold a number of his pictures and donated the raised money to help buy furniture, washing machines and spin dryers for the school.



KPO's Behavioural Based Safety (BBS) programme has come along way in the four years which it has been in place and we have seen significant improvements in the programmes implementation over this period.

In recognition of individual BBS observations made by our trained observers, the Operations Safety Department recently presented commemorative shirts to personnel within Operational and Service units.

BBS is recognised as an important and effective tool in

incident prevention. The process enables us to address unsafe behaviours before they lead to an unsafe act. The BBS Support team is now well established and recently relaunched the BBS image with a new logo and materials.

The Operations HSE BBS

Support team would like to extend thanks to all of those functions which have continued to support the ongoing development of the BBS programme. Without your support we could not have achieved such success with this initiative.



Commemorative shirts to BBS observers

BUILDING PARTNERSHIP WITH KAZAKHSTAN UNIVERSITIES

KPO is not only one of the leading oil and gas companies in Kazakhstan, but is also one of the main employers in the West Kazakhstan region. As the business moves towards the next phase of development, it will be vital that KPO is able to attract qualified professionals from a range of disciplines from Engineering to Operations and Services. As a major employer, it is no wonder that many graduates from the technical universities and colleges of Western Kazakhstan are keen to have long and exciting careers with KPO.

Collaborating with the leading Kazakhstan Universities has been one of the major successes of the KPO HR department in recent years. KPO specialists often go to meet talented students who want to know more about KPO and who are interested in building a career with the company.

Recruiting local graduates is a reflection of KPO's long term strategy to developing the local community and invest in future generations. In addition, KPO closely cooperates with a number of Kazakhstan universities, making a huge contribution to the training of high potential young people. KPO also provides work experience to graduate which helps to prepare them for real jobs. Normally students in their final two academic years would undertake a one month placement and for pre-graduate students this would be two months.

According to HR Controller Sergio Zanovello, "KPO specifically targets technical Universities across the country and focuses on academic knowledge ideally suited for the future needs of the Venture. Collaboration with these universities is designed to attract candidates for business critical functions such as; WEOPS and RPE where specialist students are more difficult to find and competition from employers is highest".

"The HR Operations Department, as part of the ongoing recruitment effort, is frequently meeting with University staff and students in order to highlight opportunities in KPO. These meetings are often supported by the provision of more general lectures and presentations on career development. KPO's continuing efforts are always well received by University staff", continued Sergio.

In late 2007 an intake comprising of 114 young university and college graduates started their long and exciting career with KPO. It is expected that most of them will support KPO future needs in critical areas such as RPE, WEOPS and E&P. These graduates have joined the Venture at a very exciting time. With Train 4 and Phase III developments progressing many will be involved in these projects.