

IMPORTANT NOTICE

IMPORTANT: You must read the following before continuing. The following applies to the Prospectus following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

THE PROSPECTUS CONSTITUTES A FINANCIAL PROMOTION WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE PROSPECTUS MAY ONLY BE DISTRIBUTED IN “OFFSHORE TRANSACTIONS” AS DEFINED IN, AND AS PERMITTED BY, REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (“SECURITIES ACT”) OR WITHIN THE UNITED STATES TO QIBs (AS DEFINED BELOW) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THE PROSPECTUS CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A “QIB”) OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

Confirmation of your representation: In order to be eligible to view the Prospectus or make an investment decision with respect to the securities referred to in the Prospectus, you must be (a) a person that is outside the United States or (b) a QIB that is acquiring the securities for its own account or for the account of another QIB. By accepting the e-mail and accessing the Prospectus, you shall be deemed to have represented to us that you are outside the United States or that you are a QIB and that you consent to delivery of the Prospectus by electronic transmission. You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession it may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person. The Prospectus does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that an offer of the securities be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, such offer shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer or the Guarantor in such jurisdiction. Under no circumstances shall the Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the Prospectus who intend to subscribe for or purchase the securities are reminded that any subscription or purchase may only be made on the basis of the information contained in the final prospectus. The information contained in the Prospectus is directed solely at persons (i) outside the United Kingdom or (ii) within the United Kingdom having professional experience in matters relating to investments or to persons of a kind described in Article 49(2)(a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as “relevant persons”). Persons who are not relevant persons must not rely on or act upon the information contained in the Prospectus.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the underwriters, as named in the Prospectus, nor any person who controls an underwriter nor any director, officer, employee nor agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from ABN AMRO Bank N.V., BNP Paribas or ING Bank N.V., London Branch.

The information in the Prospectus is subject to amendment and completion. The Prospectus may not be passed on in the United Kingdom except to investment professionals or other persons in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer or the Guarantor. The Prospectus is not an offer to sell the Notes and is not soliciting an offer to buy the Notes in any jurisdiction where such offer is not permitted.



Intergas Finance B.V.

(incorporated with limited liability in The Netherlands)

US\$600,000,000 6.375 per cent. Notes due 2017

Guaranteed by JSC Intergas Central Asia

(a joint stock company registered in The Republic of Kazakhstan)

Issue Price: 99.091 per cent.

The US\$600,000,000 6.375 per cent. Notes due 2017 (the “Notes”) are being issued by Intergas Finance B.V. (the “Issuer”) and the due and punctual payment of all sums at any time becoming due and payable in respect of, and the prompt and complete performance of and compliance with all other obligations expressed to be undertaken by the Issuer in connection with, the Notes will be unconditionally and irrevocably guaranteed by JSC Intergas Central Asia (“ICA” or the “Guarantor”) pursuant to a deed of guarantee (the “Guarantee”) to be dated on or about the Closing Date (as defined below). Interest on the Notes will accrue from 14 May 2007 and will be payable semi-annually in arrear on 14 May and 14 November of each year, commencing on 14 November 2007. Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount together with accrued interest on 14 May 2017 and will not be redeemable prior to maturity, other than following the occurrence of certain changes in applicable tax laws. Holders of the Notes, however, have the option to put the Notes to the Issuer in the event of a Change in Control (as defined below). Payments on the Notes will be made without withholding or deduction for or on account of taxes imposed by The Netherlands. See “Taxation”. The Notes will be constituted by, subject to, and have the benefit of, a trust deed to be dated 14 May 2007 (the “Trust Deed”) among the Issuer, the Guarantor and BNY Corporate Trustee Services Limited, as trustee for the holders of the Notes (the “Trustee”).

Application to list the Notes has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended (the “FSMA”) (in such capacity the “UK Listing Authority”) for such Notes to be admitted to trading on the Gilt Edged and Fixed Interest Market of the London Stock Exchange plc (the “London Stock Exchange”). References in this Prospectus to Notes being “listed” (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Gilt Edged and Fixed Interest Market of the London Stock Exchange. The Gilt Edged and Fixed Interest Market of the London Stock Exchange is a regulated market for the purposes of Directive 93/22/EEC. Application has also been made for the Notes to be designated as eligible for trading on The PORTAL Market of The NASDAQ Stock Market, Inc. (“PORTAL”).

See “Risk Factors” starting on page 13 for a discussion of certain factors that should be considered in connection with an investment in the Notes.

THE NOTES AND THE GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE SECURITIES LAW, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

It is expected that, on issue, the Notes will be assigned a Baa1 rating by Moody’s Investors Service Limited (“Moody’s”), a BB rating by Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies Inc. (“Standard & Poor’s”) and a BB+ rating by Fitch Ratings (“Fitch”). A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

The Notes will be offered and sold in an offering in the United States to “qualified institutional buyers” (as defined in Rule 144A (“Rule 144A”) under the Securities Act in reliance on Rule 144A and in offshore transactions outside the United States in reliance on Regulation S under the Securities Act (“Regulation S”). Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See “Subscription and Sale” and “Form of Notes and Transfer Restrictions”. Notes offered otherwise than in reliance on Regulation S may be offered by the Managers (as defined in “Subscription and Sale”) through their agents in the United States.

Joint Bookrunners and Joint Lead Managers

ABN AMRO

BNP PARIBAS

Joint Lead Manager

ING WHOLESALE BANKING

Manager

Mitsubishi UFJ Securities International plc

The date of this Prospectus is 10 May 2007

This Prospectus constitutes a Prospectus for the purpose of Article 5 of Directive 2003/71/EC and for the purpose of giving information with regard to the Issuer, the Guarantor and the Notes which, according to the particular nature of the Issuer, the Guarantor and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer, the Guarantor and of the rights attaching to the Notes. This Prospectus is to be read in conjunction with the Guarantor's audited Financial Statements (as defined in "Presentation of Financial Information and Certain Other Data") which form part of and are included herein.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Managers to subscribe for or purchase, any Notes. The distribution of this Prospectus and the offer or sale of the Notes in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus may come are required by the Issuer, the Guarantor and the Managers to inform themselves about and to observe any such restrictions.

No person has been authorised in connection with the offering of the Notes to give any information or make any representation regarding the Issuer, the Guarantor, the Trustee, the Managers, or the Notes other than as contained in this Prospectus. Any such representation or information must not be relied upon as having been authorised by the Issuer, the Guarantor, the Trustee or the Managers. The delivery of this Prospectus at any time does not imply that the information contained in it is correct as at any time subsequent to its date. This Prospectus may only be used for the purposes for which it has been published.

No representation or warranty, express or implied, is made by the Managers or the Trustee as to the accuracy or completeness of the information set forth in this document, and nothing contained in this document is, or shall be relied upon as, a promise or representation, whether as to the past or the future. None of the Managers or the Trustee assumes any responsibility for the accuracy or completeness of the information set forth in this document. Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and the Guarantor and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment.

None of the Issuer, the Guarantor, the Managers, the Trustee or any of their respective representatives is making any representation to any offeree or purchaser of the Notes regarding the legality of an investment by such offeree or purchaser under appropriate legal investment or similar laws. Each investor should consult with his own advisers as to the legal, tax, business, financial and related aspects of a purchase of the Notes.

In connection with this issue of the Notes, ABN AMRO Bank N.V. as the stabilising manager (or persons acting on its behalf) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that ABN AMRO Bank N.V. (or persons acting on its behalf) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws and rules.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

U.S. INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO U.S. INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE MARKETING. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Notes which are offered and sold in reliance on Regulation S will be represented by beneficial interests in a permanent global Note (the "Unrestricted Global Note") in registered form, without interest coupons attached, which will be deposited on or about 14 May 2007 (the "Closing Date") with The Bank of New York, as custodian (the "Custodian") for, and registered in the name of Cede & Co., as nominee for, The Depository Trust Company ("DTC") and interests therein will be credited to the accounts of Euroclear (as defined below) and Clearstream, Luxembourg (as defined below) with DTC. Notes which are offered and sold in reliance on Rule 144A will be represented by beneficial interests in a permanent global Note (the "Restricted Global Note" and, together with the Unrestricted Global Note, the "Global Notes") in registered form, without interest coupons attached, which will be deposited on or about the Closing Date with the Custodian and registered in the name of Cede & Co., as nominee for, DTC. The Notes will be issued in denominations of US\$100,000 or any greater amount which is an integral multiple of US\$1,000. See "Terms and Conditions of the Notes". Interests in the Restricted Global Note will be subject to certain restrictions on transfer. See "Form of Notes and Transfer Restrictions". Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants including Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Bank, société anonyme ("Clearstream, Luxembourg"). Except as described herein, certificates for Notes will not be issued in exchange for beneficial interests in the Global Notes.

RESPONSIBILITY STATEMENT

The Issuer and the Guarantor accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer and the Guarantor (which have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

Certain information in this Prospectus contained under the headings "Risk Factors — Risks Relating to Kazakhstan", "The Oil and Gas Industry in Kazakhstan", "Management's Discussion and Analysis of Results of Operations and Financial Condition", and "Description of ICA", has been extracted from documents and other publications released by the Interfax-Kazakhstan information agency, the National Statistical Agency, the Ministry of Finance of Kazakhstan, the United States Energy Information Administration ("EIA"), the World Energy Investment Outlook 2003, the Ministry of Foreign Affairs of Kazakhstan and BP p.l.c. The Issuer and the Guarantor accept responsibility for accurately reproducing such extracts and as far as they are aware and are able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

AVAILABLE INFORMATION

Neither the Issuer nor the Guarantor is currently required to file periodic reports with the United States Securities and Exchange Commission under Section 13 or 15 of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"). In order to preserve the exemption for re-sales and transfers under Rule 144A, each of the Issuer and the Guarantor has agreed that it will furnish upon the request of a holder of Notes or a beneficial owner of an interest therein to such holder or beneficial owner or to a prospective purchaser of Notes designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act (the "144A Information") and will otherwise comply with the requirements of Rule 144A under the Securities Act, if at the time of such request the Issuer or the Guarantor is not a reporting company under Section 13 or Section 15(d) of the Exchange Act, or exempt from reporting pursuant to Rule 12g3-2(b) thereunder. The Issuer and the Guarantor have further agreed to make the 144A Information available, until the maturity of the Notes,

during normal business hours at the specified office of the Principal Paying Agent (as defined in “Terms and Conditions of the Notes”) and the specified office of the Paying Agent (as defined in “Terms and Conditions of the Notes”) in London from time to time.

CERTAIN PUBLICLY AVAILABLE INFORMATION

Certain statistical data and other information appearing in this document under the headings “Management’s Discussion and Analysis of Results of Operations and Financial Condition” and “The Oil and Gas Industry in Kazakhstan” in this Prospectus have, unless otherwise stated, been extracted from documents and other publications released by the National Statistics Agency of Kazakhstan, the Ministry of Finance of Kazakhstan, the Ministry of Energy and Mineral Resources of Kazakhstan, the National Bank of Kazakhstan (the “NBK”) and other public sources. In the case of the presented statistical data, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. None of the Issuer or the Guarantor or the Managers, nor any of their respective directors, affiliates, advisers or agents, have made any independent verification of such statistics or information in connection with the offering of the Notes, nor can any such person provide any assurance as to the factual correctness of any such statistics or information. However, the Issuer and Guarantor confirm that such statistics and information have been accurately reproduced and that as far as they are aware and are able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

FORWARD-LOOKING STATEMENTS

This Prospectus includes certain “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical fact included in this Prospectus are forward-looking statements. In particular, such forward-looking statements include, but are not limited to:

- statements relating to the Guarantor’s strategic plans and objectives;
- statements relating to the Guarantor’s expectations as to the completion of, and the impact of, projects undertaken by the Guarantor to improve cost efficiencies and enhance revenue growth;
- the Guarantor’s estimates and targets for natural gas transportation and overall anticipated growth of the Guarantor’s operations and other indications of future economic performance;
- statements relating to the Guarantor’s expectations as to the completion of, and the impact of, projects undertaken by NC KazMunaiGas JSC and the Government; and
- assumptions underlying such statements.

Moreover, words such as “believes”, “anticipates”, “expects”, “estimates”, “intends” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other factors, both general and specific, which may cause the actual results, performance or achievements of the Guarantor, or industry results, to be materially different from those expressed or implied by such forward-looking statements.

Some of the important factors that could cause the actual results, performance or achievements of the Guarantor to differ materially from the plans, objectives, expectations, estimates and intentions expressed in forward-looking statements include, among others, the following:

- changes to the methodology pursuant to which the Guarantor establishes its tariffs;
- the demand for the Guarantor’s services;
- the construction of competing pipelines and the effects of competition on the geographic and business areas in which the Guarantor conducts its operations;
- a deterioration in the quality of, or a failure by third party operators to maintain, pipelines linked to the natural gas transportation system operated by the Guarantor;
- the Guarantor’s ability to maintain its status as a monopoly provider of natural gas transportation services in Kazakhstan and its related ability to sustain the market share for its services; the Guarantor’s ability to control expenses relating to its operations;
- a reduction in the Government’s level of indirect equity ownership of the Guarantor and the Issuer;

- factors affecting natural gas production and transportation activities by OJSC Gazprom (“Gazprom”), the Guarantor’s single largest customer, including:
 - a decline in the prices of natural gas;
 - Gazprom’s ability to sustain current volume of natural gas exports to Europe;
 - development by Gazprom of alternative sources of supply and delivery of natural gas outside Central Asia; and
 - competition from independent natural gas companies following liberalisation of the natural gas markets in Europe;
- changes in the overall economic and business conditions prevailing in political events in exchange rates affecting the currency of, and inflation in, Kazakhstan and the effects of international political events on the Guarantor’s business;
- changes in the policy of the Government of Kazakhstan and the effects of changes in laws, regulations, taxation or accounting standards or practices and the outcome of future legal or regulatory disputes and proceedings involving or affecting the Guarantor;
- acquisitions or divestitures;
- technological changes;
- the effects of international political events on the Guarantor’s business; and
- the Guarantor’s success at managing the risks of the aforementioned factors.

This list of important factors is not exhaustive. When relying on forward-looking statements, the foregoing factors and other uncertainties and events should be carefully considered, especially in the light of the political, economic, social and legal environment in which the Guarantor operates. See “Risk Factors”.

ENFORCEMENT OF FOREIGN JUDGMENTS

The Guarantor is a joint stock company organised under the laws of Kazakhstan, and all of the respective officers and directors of the Guarantor and certain other persons referred to in this Prospectus are residents of Kazakhstan. All of the assets of the Guarantor and of each of such persons are located in Kazakhstan. As a result, it may not be possible for investors (a) to effect service of process upon the Guarantor or any such person outside Kazakhstan, (b) to enforce against any of them, in courts of jurisdictions other than Kazakhstan, judgments obtained in such courts that are predicated upon the laws of such other jurisdictions or (c) to enforce against any of them, in Kazakhstan courts, judgments obtained in jurisdictions other than Kazakhstan, including judgments obtained in respect of the Notes, the Guarantee or the Trust Deed in English courts and judgments obtained in United States courts predicated upon the civil liability provisions of the federal securities laws of the United States.

The Notes, the Guarantee, the Trust Deed and the Paying Agency Agreement (as defined in “Terms and Conditions of the Notes”) are governed by the laws of England and the Issuer and the Guarantor have agreed in the Notes or the Guarantee, as the case may be, and in the Trust Deed and the Agency Agreement that disputes arising thereunder are subject to the jurisdiction of the English courts or, at the election of the Trustee or, in certain circumstances, a Noteholder (as defined in “Terms and Conditions of the Notes”), to arbitration in London, England. See “Terms and Conditions of the Notes—Condition 20(f) (*Submission to Arbitration*)”. Courts of Kazakhstan will not enforce any judgment obtained in a court established in a country other than Kazakhstan unless there is a treaty in effect between such country and Kazakhstan providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is no such treaty in effect between Kazakhstan and England. However, each of Kazakhstan and England are parties to the 1958 New York Convention on Recognition and Enforcement of Arbitral Awards (the “Convention”) and English arbitration awards are generally recognised and enforceable in Kazakhstan provided the conditions to enforcement set out in the Convention are met.

CERTAIN DEFINITIONS

Set forth below are definitions of certain terms used herein:

“bcm”, “mcm” and “tcm” mean billion cubic metres, million cubic metres, and trillion cubic metres, respectively.

“Euro” and “€” refer to the currency introduced at the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty of European Union.

“Government” means the government of Kazakhstan.

“KASE” means the Kazakhstan Stock Exchange.

“Kazakhstan” or the “State” each refer to the Republic of Kazakhstan.

“KazMunaiGas” or “KMG” means NC KazMunaiGas JSC, the parent company of KTG.

“km” means kilometres.

“KTG” means JSC KazTransGas and “KTG Group” means KTG and its operating subsidiaries and affiliates.

“Management” means the management of ICA.

“mPa” means mega Pascal.

“Tenge” or “KZT” refer to Kazakhstan Tenge, the official currency of Kazakhstan.

“The Netherlands” refers to the Kingdom of the Netherlands excluding the Netherlands Antilles and Aruba.

“U.S. dollars” or “US\$” refer to United States Dollars.

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PRESENTATION OF FINANCIAL INFORMATION AND CERTAIN OTHER DATA

The audited financial statements of ICA, the reporting currency of which is the Tenge, as at and for the years ended 31 December 2004, 2005 and 2006 included in this Prospectus (the “Financial Statements of ICA”) have been prepared on the basis of International Financial Reporting Standards (“IFRS”). The audited financial statements of the Issuer, the reporting currency of which is the U.S. dollar, as at and for the years ended 31 December 2005 and 2006 included in this Prospectus, have been prepared in accordance with Dutch GAAP (part 9 of Book 2 of the The Netherlands Civil Code) (the “Financial Statements of the Issuer” and, together with the Financial Statements of ICA, the “Financial Statements”). The Financial Statements of ICA were audited by Ernst & Young Kazakhstan LLP (“Ernst & Young”), member of the Chamber of Auditors of Kazakhstan, and the Financial Statements of the Issuer were audited by Mazars Paardekooper Hoffman N.V. Unless otherwise indicated, all financial information in this Prospectus is derived, without material adjustment, from the Financial Statements contained elsewhere in this Prospectus.

This Prospectus contains translations of certain Tenge amounts into U.S. dollars solely for the convenience of prospective investors. These translations should not be construed as representations that the Tenge amounts actually represent such equivalent U.S. dollar amounts or could be or could have been converted into U.S. dollars at the rate indicated as at the dates mentioned herein or at all. Unless otherwise indicated, all U.S. dollar amounts have been translated from Tenge at an exchange rate of KZT 127.00 = US\$1.00, the official exchange rate of the KASE as reported by the NBK for 31 December 2006 and income statement line items have been translated from Tenge at an exchange rate of KZT 126.09=U.S.\$1.00, the average daily closing rate of exchange on the KASE as reported by the NBK for the year ended 31 December 2006. The Federal Reserve Bank of New York does not certify for customs purposes a noon buying rate in New York for cable transfers payable in Tenge. The following table sets forth the period-average and period-end Tenge/U.S. dollar exchange rates on the KASE as reported by the NBK for the periods indicated.

	As at and for the years ended 31 December		
	2004	2005	2006
		<i>(Tenge/US\$)</i>	
Average.....	136.04	132.88	126.09
Period-end	130.00	133.77	127.00

Source: National Bank of Kazakhstan

Certain amounts which appear in this Prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

OVERVIEW

The following is an overview of certain information contained elsewhere in this Prospectus. Reference is made to, and this overview is qualified by, the more detailed information contained elsewhere in this Prospectus.

Business Overview

ICA, a joint stock company registered under the laws of Kazakhstan and indirectly owned by the State, is the operator of Kazakhstan's national natural gas pipeline system, which transports natural gas principally from Turkmenistan, Uzbekistan and Kazakhstan to Russia and from one part of Russia to another through Kazakh territory, and distributes gas within Kazakhstan. ICA's principal business activities include the management, maintenance and operation of the natural gas transportation system of Kazakhstan; the transportation of natural gas through a system of pipelines; and the storage of natural gas.

ICA's rights to operate Kazakhstan's national natural gas pipeline infrastructure are derived from a concession with the Government dated 14 June 1997, as amended (the "Concession Agreement"), with an initial term running until 2012 that may be automatically extended until 2017. Under the Concession Agreement, ICA was required to pay to the State 10 per cent. of ICA's net profit after taxes for the years 2004 and 2005, KZT 1,085,797,110 per year for the years 2006 and 2007, and will be required to pay a fixed rate of KZT 2,082,287,100 for 2008 onward unless the parties negotiate otherwise in advance. ICA is also required to make certain investments of up to US\$30 million per year and not less than US\$450 million in the aggregate for the period from 1997 to 2012. See "Material Agreements—The Concession Agreement".

ICA's principal customer is Gazprom, which accounted for 89 per cent. of ICA's total revenues for the year ended 31 December 2006. ICA provides gas transportation services to Gazprom pursuant to two agreements each dated 11 November 2005 (the "Gazprom Contracts"), one for the transportation of Russian gas (the "Russian Gas Transit Contract") and the other for the transportation of gas from Turkmenistan and Uzbekistan (the "Turkmen/Uzbek Gas Transit Contract"). The Turkmen/Uzbek Gas Transit Contract specifies the agreed volumes for the transport of Turkmen and Uzbek gas to Russia, and the Russian Gas Transit Contract specifies the agreed volumes to and from gas fields in Western Russia and the Orenburg gas refinery plant in Southwestern Russia. The Turkmen/Uzbek Gas Transit Contract is entered into on a "80/20 take-or-pay basis" requiring Gazprom to pay for at least 80 per cent. of the agreed volumes regardless of the volumes actually required by it to be transported by ICA. The Gazprom Contracts were entered into in 2005 and expire in 2010. Under these contracts, tariffs have been fixed for the contract term at US\$1.1 per 1,000 cubic metres of natural gas transported over 100 km of pipelines until 2010. See "Material Agreements—The Gazprom Contracts". ICA is currently in the process of negotiating a further tariff increase with Gazprom, which Management believes will be effective at the beginning of 2008.

The pipeline infrastructure operated by ICA consists principally of a pipeline network in western Kazakhstan and a pipeline network in southern Kazakhstan. The pipeline network in western Kazakhstan consists of three separate systems aggregating approximately 7,000 km of pipelines, and of which the principal system is the CAC Pipeline (as defined herein) with a throughput capacity of 54 bcm per year. The pipeline network in southern Kazakhstan consists of pipelines running through the southern region of Kazakhstan and consisting of approximately 4,000 km of pipelines. For the years ended 31 December 2004, 2005 and 2006, ICA transported 121.6 bcm, 129.9 bcm and 121.9 bcm in total, respectively.

ICA generated revenues of KZT 83,429.1 million and net profit of KZT 18,705.9 million for the year ended 31 December 2006 and had assets of KZT 173,696.6 million as at 31 December 2006.

Strengths

Management believes that ICA's key strengths are:

Support of Kazakhstan. ICA is indirectly wholly-owned by KTG, a wholly-owned subsidiary of KMG, which is in turn wholly-owned by Samruk, the State Holding Company of the State ("Samruk"). ICA is the vehicle through which the State has structured the management of the State's natural gas pipeline infrastructure, a key strategic asset for Kazakhstan. As such, Management believes that ICA's rights to operate the State's pipeline system under the Concession Agreement stand on a firm basis, as evidenced

by the term of the Concession Agreement, which runs until 2012 with an automatic extension until 2017, and may be further extended for an additional ten years. Other benefits of this support include:

- enhanced bargaining power in negotiations with ICA's principal customer, Gazprom, as well as with suppliers;
- ICA involvement, by way of consultation, in the regulation of domestic tariff setting and in other regulatory issues directly or indirectly connected with ICA's business, including, for example, the participation of ICA in a consulting capacity in the Government's discussions on Kazakhstan's accession to the World Trade Organisation;
- joint formulation (with the participation of Samruk, KMG, KTG and ICA) of development and investment plans for the enhancement of the pipeline system, gas storage facilities and compressor stations; and
- ICA participation in the Government's plans, through Samruk, KMG and KTG, to further develop gas production facilities, which may result in greater gas transmission volumes, enabling ICA to plan accordingly.

See also "Risk Factors—Risks Relating to the Guarantor's Operations—The Guarantor may not have sufficient funds to finance its capital expenditures".

Strategically located pipeline infrastructure. At present, approximately 89 per cent. of ICA's revenues are generated pursuant to the Gazprom Contracts. The strategic location of Kazakhstan's pipeline system, joining the significant natural gas resources of Turkmenistan and Uzbekistan with the significant demand for natural gas from Russia and, further afield, Europe, provide ICA with significant stability in its relationship with its principal customer, Gazprom. ICA's relationship with Gazprom as its principal customer dates back to 1997, when ICA (then directly and indirectly owned by Tractebel S.A., a Belgium-based international energy company ("Tractebel")) became the operator of Kazakhstan's natural gas pipeline network. Since then, ICA and Gazprom have formalised their relationship through five-year contracts, the latest of which were entered into in November 2005. See "Material Agreements—The Gazprom Contracts".

Management believes that potential routes providing an alternative to Kazakhstan's natural gas pipeline network for the transport of Central Asian gas, such as, for example, a proposed pipeline system from Turkmenistan to Azerbaijan over the Caspian Sea and from there to Russia, would be very expensive to build. In addition, Kazakhstan's location between Turkmenistan and Uzbekistan and China provides significant potential opportunities for playing a significant role in the supply of natural gas from these countries to China, as evidenced in the ongoing negotiations between KMG and China National Petroleum Corporation to build a new pipeline system.

Expected gas transmission volume growth. As a result of increases in natural gas production in Kazakhstan and Turkmenistan, ICA has experienced and is likely to continue to experience continued increases in transmission volumes for Central Asian gas, which grew from 42.5 bcm in 2004 to 48.4 bcm in 2006, and for Kazakh gas for export, which grew from 7.0 bcm in 2004 to 7.8 bcm in 2006. Kazakhstan and Turkmenistan each have proved natural resources of three trillion cubic metres, according to the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan, and natural gas recovery in Kazakhstan has increased from 23.8 bcm in 2004 to 27.01 bcm in 2006, and in Turkmenistan from 74 bcm in 2004 to 120 bcm in 2006. According to the 15-year strategy of the Kazakh Ministry for Energy and Mineral Resources, the country plans to increase its natural gas production to up to 39.8 bcm by 2010, and to 88.1 bcm by 2015. Much of this growth is likely to be supported by significant ongoing investments in existing and new oil and gas fields. In particular, Kazakh gas production is expected to increase significantly in the next four to five years, principally as a result of the commencement of commercial exploitation of the Kashagan oil field, with natural gas reserves estimated at 1.0 tcm, according to public sources, and which is scheduled to commence production sometime in the next four years. In addition, ongoing natural gas recovery investments are being made in the Tengiz oil field operated by TCO, with estimated natural resources of 0.62 tcm.

Robust current and expected end-market demand for gas from Central Asia. The principal end users of ICA's transit and export natural gas are primarily located in Russia, but also in Ukraine and Poland and, to a lesser extent, other European countries. According to information made publicly available by the EIA, the non-OECD Europe and Eurasia region is more reliant on natural gas than any other region in the world, with Russia being second only to the United States in total natural gas consumption. According to the World Energy Investment Outlook 2003, total European gas demand will increase to

660 bcm per year in 2010, from 540 bcm per year in 2005, while, of this 660 bcm, 300 bcm will be European import demand. Russia is expected to be able to export approximately 200 bcm of its own natural gas, leaving a gap of 100 bcm which will drive demand for Central Asian gas.

Strong financial performance. Over the last six years, Management has been focused on maintaining the reliability of throughput capacity of its gas transmission network and growing the profitability of its operations. Management believes that partly as a result of these measures, the Guarantor has received a long-term rating of “Baa1” from Moody’s, “BB” from Standard and Poor’s and “BB+” from Fitch. In addition, ICA achieved growth in its gross profit, operating profit and net profit over the period from 2004 to 2006. The following table sets forth these measures of ICA’s financial performance for the periods indicated.

	For the year ended 31 December		
	2004	2005	2006
	(KZT in millions)		
Gross profit.....	25,925.0	29,624.0	44,262.2
Operating profit.....	18,817.2	18,391.1	28,608.1
Net profit.....	12,273.7	9,860.4	18,705.9

Strategy

The strategic direction of ICA, as the sole operator of Kazakhstan’s national gas pipeline infrastructure, is to a large extent determined by the strategic objectives of the Government in relation to Kazakhstan’s energy and mineral resources in general, and its gas resources in particular. The fundamental policy documents of the Government in relation to gas natural resources are the Concept of Gas Industry Development of Kazakhstan until 2015 issued in 2002 (the “Concept Paper”) and the Programme of Gas Industry Development of Kazakhstan for 2004 to 2010 (the “Programme Paper” and, together with the Concept Paper, the “Gas Policy Documents”) issued in 2004. According to the Gas Policy Documents, the key three goals of the Government’s gas policy are:

- **Increasing Kazakhstan’s gas resource potential and gas production**, which consists of the development of new gas and hydrocarbon deposits with a view to increasing the available natural gas resources of Kazakhstan (the “Gas Deposit Initiative”) and the reconstruction of existing facilities and the development of new facilities at promising oil and gas fields such as Kashagan and Karachaganak to process and utilise natural gas in order to further increase liquefied gas production volumes, and the regulation of gas flaring in oil production to support gas recovery in oil operations (the “Gas Production Initiative”);
- **Increasing Kazakhstan’s gas transit potential**, which will be supported by the reconstruction and upgrading of the existing gas transportation system, the construction of new gas transmission pipelines and the development of new export routes for transportation of natural gas (the “Gas Pipeline Initiative”); and
- **Increasing Kazakhstan’s gas production to support its energy independence**, which consists of reaching all regions of Kazakhstan and providing locally produced natural gas to consumers in Kazakhstan as a result of the Gas Deposit Initiative, the Gas Production Initiative and the Gas Pipeline Initiative.

ICA’s overall strategic plan consists principally of the implementation, together with KTG and KMG, of the Gas Pipeline Initiative. The implementation of this strategy consists of the development of more specific three-year business plans. These business plans are submitted by ICA to KTG and KMG and made a part of the overall business plans adopted by KMG, which in turn submits it to Samruk for approval. The business plans are rolling plans, which are updated annually at the same time as the companies set their budgets for the following year. On 14 November 2006, ICA’s direct principal shareholder, Intergas International, approved the business plan for 2007 through 2009 (the “2007-2009 Plan”). The 2007-2009 Plan includes the following principal strategic objectives to implement the Gas Pipeline Initiative:

- **Maintaining and enhancing the reliability and performance of the existing pipeline system.** As at 31 December 2006, ICA had invested approximately KZT 100 billion (US\$735 million) in maintaining and enhancing the reliability of the existing pipeline system. ICA intends to continue to make significant capital investments to improve various segments of the CAC Pipeline in order to

ensure its continued reliability. Among the initiatives currently being undertaken in pursuit of this strategic goal are investments in the repair and renovation of various pipeline segments and related infrastructure, the replacement of engines, the removal of defective equipment, and the diagnosis of actual and potential faults in the network.

- ***Increasing the throughput capacity of ICA's existing pipeline system.*** Having already made a significant investment in enhancing the reliability of the existing pipeline system, ICA is now in a position to also direct future investment towards upgrading the transit capacity of the existing pipelines. In particular, ICA plans to invest in the CAC Pipeline to increase its existing capacity from 54 bcm to 60 bcm in 2008 by means of two projects referred to elsewhere in the Prospectus as the CAC Pipeline Expansion Projects, expected to be completed in 2008:
 - building a new turbo compressor section at the Opornaya station; and
 - building a new pipeline bypass segment.

ICA expects Kazakh gas production to increase in the next four to five years, mainly due to the expected commencement within the next four years of commercial exploitation of the Kashagan oil field, which was discovered in 2000. Moreover, if Gazprom increases transmission volumes of Turkmen gas in 2010 and beyond in order to continue to meet demand from Europe, ICA's intends to make further capital investments to meet increases in transportation volumes. See "Description of ICA—Investment Projects of ICA".

- ***Adopt the latest information technologies for the management of the pipeline network, data gathering and communications.*** In order to achieve greater operational efficiency and effective management, ICA has undertaken a number of IT investments, including the installation and implementation of a comprehensive telecommunications and IT network enabling a unified pipeline monitoring and control system ("SCADA"), which is expected to be completed by 2010, and the implementation of an enterprise resource planning system ("ERP") based on SAP software solutions in order to integrate key management, customer and operational data and processes as a unified system, which is largely completed. ICA had invested US\$17 million as at 31 December 2006 in these projects, and upon completion, ICA's total investments in these projects are expected to be US\$40 million.
- ***Continue to evaluate opportunities for developing new pipeline systems to enhance existing and create new transit routes in order to diversify ICA's customer base.*** At present, approximately 89 per cent. of ICA's revenues are derived from the Gazprom Contracts. ICA intends to undertake future investments with a view to diversifying its client base and reducing its reliance on Gazprom, provided always that such investments will offer an appropriate commercial return. In order to harness potential new customer relationships, ICA, KMG, KTG and Samruk are partaking in Government initiatives to evaluate the feasibility of new transit routes, including a potential new route from the CAC Pipeline to Southern Kazakshtan and China. Management believes that the transportation of natural gas to China in particular will increase international transit volumes and decrease the risks arising from the present concentration of ICA's customers. See also "Risk Factors—Risks Relating to the Guarantor's Operations—the Guarantor's revenue is heavily dependent upon the volumes of natural gas transported by Gazprom, which volumes are in turn dependent on international demand for natural gas" and "—The Guarantor may not have sufficient funds to finance its capital expenditures".

The Offering

The following is an overview of certain information relating to the offering of the Notes, including the principal provisions of the terms and conditions thereof. This overview is indicative only, does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus. See, in particular, “Terms and Conditions of the Notes”.

Issue: US\$600,000,000 principal amount of 6.375 per cent. Notes due 2017.

Interest and Interest Payment Dates: The Notes will bear interest at a rate of 6.375 per cent. per annum. Interest on the Notes will accrue from the Closing Date and will be payable semi-annually in arrear on 14 November and 14 May of each year, commencing on 14 November 2007.

Maturity Date: 14 May 2017.

Guarantee: The Guarantor will, on or prior to the Closing Date, enter into the Guarantee under which the Guarantor will unconditionally and irrevocably guarantee the due and punctual payment of all sums at any time becoming due and payable by the Issuer in respect of the Notes and the prompt and complete performance of and compliance with all other obligations expressed to be undertaken by the Issuer under the Notes and the Trust Deed.

Use of Proceeds: The net proceeds to the Issuer from the issue and sale of the Notes are expected to be US\$592,246,484. The net proceeds will be used by the Issuer to make a loan to the Guarantor, which will, in turn, use the loan proceeds from the Issuer to repay ABN AMRO Bank N.V. and BNP Paribas as lenders under the 2006 Bridge Facility (as defined herein) and for general corporate purposes, including for capital expenditures not fully funded by the 2006 Bridge Facility in relation to the CAC Pipeline Expansion Projects (as defined herein). The net proceeds from the 2006 Bridge Facility were primarily used by ICA for capital expenditures relating to the CAC Pipeline Expansion Projects. See “Risk Factors—Risks Relating to the Guarantor’s Operations—ABN AMRO Bank N.V. and BNP Paribas may have a conflict of interest”, “Use of Proceeds” and “Management’s Discussion and Analysis of Results of Operations and Financial Condition—Liquidity and Capital Resources—Indebtedness”.

Status: The Notes constitute direct, general, unconditional and, except as provided therein, unsecured obligations of the Issuer. The Notes rank, and will at all times rank, *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured obligations of the Issuer, save only for such obligations as may be preferred by mandatory provisions of applicable law.

The obligations of the Guarantor under the Guarantee constitute direct, general, unconditional and, except as provided therein, unsecured obligations of the Guarantor and rank, and will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save only for such obligations as may be preferred by mandatory provisions of applicable law. See “Terms and Conditions of the Notes—Condition 3 (*Status of Notes and Guarantee*)”.

Negative Pledge: Each of the Issuer and the Guarantor agrees that so long as any Note remains outstanding, it shall not, and shall not permit any of its Subsidiaries (as defined in Condition 4 (*Negative Pledge*)) to create, incur, assume or permit to arise or subsist any Security Interest (as defined in Condition 4 (*Negative Pledge*)), other than, in the case of the Guarantor or any Subsidiary of the Guarantor (other than the Issuer) a Permitted Security Interest (as defined in Condition 4

(*Negative Pledge*)), upon the whole or any part of their respective undertakings, assets or revenue, present or future, to secure any Financial Indebtedness (as defined in Condition 4 (*Negative Pledge*)) of the Issuer, any such Subsidiary or any other Person or any Indebtedness Guarantee (as defined in Condition 4 (*Negative Pledge*)) in respect thereof, unless, at the same time or prior thereto, the Issuer's obligations under the Notes are secured equally and rateably therewith or have the benefit of such other arrangement as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders or as the Trustee in its discretion shall determine (in reliance on a written opinion of an expert satisfactory to the Trustee) to be not materially less beneficial to the Noteholders. See "Terms and Conditions of the Notes—Condition 4 (*Negative Pledge*)".

Certain Covenants:

The Issuer and the Guarantor will agree to certain covenants, including, without limitation, covenants with respect to a limitation on merger and consolidation, restrictions on actions affecting the Concession Agreement (as defined herein), a limitation on the payment of dividends and a limitation on disposal of certain receivables. See "Terms and Conditions of the Notes—Condition 5 (*Certain Covenants*)".

Redemption for Taxation Reasons:

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (subject to certain conditions), at their principal amount (together with interest accrued to the date fixed for redemption), in the event of certain changes in taxation in The Netherlands or Kazakhstan. See "Terms and Conditions of the Notes—Condition 7(b) (*Redemption for Taxation Reasons*)".

Put Option upon Change of Control:

Upon the occurrence of a Change of Control (as defined in Condition 7(c) (*Purchase on Change of Control*)), each holder of the Notes will have the right to require the Issuer to purchase all or any portion (equal to US\$100,000 or any amount in excess thereof which is an integral multiple of US\$1,000) of the holder's Notes, pursuant to the offer described below (the "Change of Control Offer"), at a purchase price in cash equal to the aggregate principal amount thereof, plus accrued and unpaid interest thereon to the date of purchase (the "Change of Control Price"). See "Terms and Conditions of the Notes—Condition 7(c) (*Purchase on Change of Control*)".

Taxation; Payment of Additional Amounts:

All payments under the Notes will be made free and clear of any taxes imposed by or within The Netherlands. See "Taxation—The Netherlands Taxation"

Payment of interest from the Guarantor to the Issuer to fund the Issuer's obligations to make payments under the Notes will be subject to Kazakhstan withholding tax under the Kazakhstan-Netherlands Tax Treaty at a rate of 10 per cent. Payments under the Guarantee will be subject to Kazakhstan withholding tax at a rate of 15 to 20 per cent. unless reduced by an applicable double taxation treaty. See "Taxation—Kazakhstan Taxation".

In the event that any taxes, duties, assessments, or governmental charges are imposed, levied, collected, withheld or assessed by The Netherlands or Kazakhstan or any jurisdiction from or through which payment is made or any political subdivision or any authority thereof or therein having the power to tax on payments of principal and interest in respect of the Notes, the Issuer or (as the case may be) the Guarantor will, subject to certain exceptions and limitations, pay such additional amounts to the holder of any Note as will result in the receipt by the Noteholders of such amounts that would have been received by them if no such withholding or deduction had been

required. See “Terms and Conditions of the Notes—Condition 9 (*Taxation*)”.

Events of Default:

The Notes will be subject to acceleration upon the occurrence of certain Events of Default (as defined in Condition 10 (*Events of Default*)) including (among others) non-payment, a breach of obligations, a cross-default, certain bankruptcy and insolvency events and breach or termination of the Concession Agreement. See “Terms and Conditions of the Notes—Condition 10 (*Events of Default*)”.

Form, Transfer and Denominations:

Notes offered and sold in reliance on Regulation S will be represented by beneficial interests in the Unrestricted Global Note in registered form, without interest coupons attached, which will be deposited with the Custodian and registered in the name of Cede & Co. as nominee for DTC and interests therein will be credited to the accounts of Euroclear and Clearstream, Luxembourg with DTC. Notes offered and sold in reliance on Rule 144A will be represented by beneficial interests in the Restricted Global Note, in registered form, without interest coupons attached, which will be deposited with the Custodian, and registered in the name of Cede & Co. as nominee for DTC. Except in limited circumstances, certificates for Notes will not be issued in exchange for beneficial interests in the Global Notes. See “Terms and Conditions of the Notes”.

Interests in the Restricted Global Note will be subject to certain restrictions on transfer. See “Form of Notes and Transfer Restrictions”. Interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants including Euroclear and Clearstream, Luxembourg.

Notes will be issued in minimum denominations of US\$100,000 or any greater amount which is an integral multiple of US\$1,000. See “Terms and Conditions of the Notes”.

Governing Law:

The Notes, the Guarantee, the Trust Deed and the Paying Agency Agreement will be governed by, and construed in accordance with, English law.

Listing:

Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the Gilt Edged and Fixed Interest Market of the London Stock Exchange.

Application has also been made for the Notes to be designated as eligible for trading on PORTAL.

Selling Restrictions:

Neither the Notes nor the Guarantee has been or will be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act), except to qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer and sale of Notes is also subject to restrictions in the United Kingdom, Kazakhstan and Italy. See “Subscription and Sale”.

Risk Factors:

For a discussion of certain risk factors relating to the Guarantor, Kazakhstan, the Notes and, the Issuer that prospective investors should carefully consider prior to making an investment in the Notes, see “Risk Factors”.

Regulation S Security Code: ISIN: USN45748AB15
CUSIP: N45748 AB1
Common Code: 030032098

Rule 144A Security Codes: ISIN: US45867EAB20
CUSIP: 45867E AB2
Common Code: 030031598

SUMMARY FINANCIAL AND OTHER INFORMATION OF ICA

The summary financial information presented below as at and for the years ended 31 December 2004, 2005 and 2006 has been derived from, should be read in conjunction with, and is qualified in its entirety by, the Financial Statements of ICA contained elsewhere in this Prospectus.

The Financial Statements of ICA have been prepared in accordance with IFRS and are presented in Tenge. The Financial Statements of ICA were audited by Ernst & Young, whose audit report for the respective years is included on page F-23 of this Prospectus. Prospective investors should read the summary financial information in conjunction with the information contained in “Risk Factors”, “Capitalisation of ICA”, “Selected Financial and Operating Data for ICA”, “Management’s Discussion and Analysis of Results of Operations and Financial Condition”, “Description of ICA”, the Financial Statements and the other financial data appearing elsewhere in this Prospectus. See “Index to Financial Statements”.

Balance Sheet Data

	As at 31 December			
	2004	2005	2006	
	(KZT in millions)	(KZT in millions)	(KZT in millions)	(US\$ in millions) ⁽¹⁾
ASSETS				
Non-current assets:				
Intangible assets, net.....	1,415.3	1,845.1	1,939.4	15.3
Property, plant and equipment, net	43,433.1	65,512.4	98,368.9	774.6
Financial support given to related parties, long-term portion.....	14,526.2	9,204.9	7,715.5	60.8
Long-term accounts receivable	423.9	8.3	7.9	0.1
VAT receivable, long-term portion ⁽²⁾	3,390.0	5,897.0	–	–
Advances paid.....	–	2,067.5	26,068.4	205.3
Total non-current assets	63,188.5	84,535.2	134,100.0	1,055.9
Current assets:				
Inventories, net.....	6,026.3	5,247.7	4,785.4	37.7
Trade and other receivables, net	6,242.3	6,930.1	8,048.2	63.4
Financial support given to related parties, short-term portion.....	8,452.0	1,224.5	11,059.9	87.1
Advances paid, net.....	553.4	129.6	370.0	2.9
Indirect taxes recoverable ⁽³⁾	8,917.4	3,541.3	10,113.2	79.6
Prepayment for corporate income tax	811.4	2,043.8	1,007.7	7.9
Bank deposits.....	2,900.0	11,791.3	–	–
Cash and cash equivalents ⁽⁴⁾	1,051.5	2,858.0	4,212.3	33.2
Total current assets	34,954.4	33,766.3	39,596.6	311.8
Non-current assets held for sale	–	97.3	–	–
TOTAL ASSETS	98,142.9	118,398.8	173,696.6	1,367.7
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders equity:				
Share capital.....	2,283.8	2,283.8	2,283.8	18.0
Reserve capital	115.7	115.7	–	–
Retained earnings.....	55,556.1	65,415.3	84,236.5	663.3
Total shareholders' equity	57,955.5	67,814.7	86,520.3	681.3
Long-term liabilities	32,170.6	37,140.3	72,949.7	574.4
Current liabilities	8,016.7	13,443.8	14,226.6	112.0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	98,142.9	118,398.8	173,696.6	1,367.7

(1) 2006 U.S. dollar amounts were translated from Tenge at the closing rate of exchange of KZT 127.00 = US\$1.00 which was the closing rate of exchange on the KASE as at 31 December 2006 as reported by the NBK.

(2) In July 2001, pursuant to the intergovernmental agreement concluded between Russia and Kazakhstan, the VAT rate applicable to international transit to Russia was reduced from 20 per cent. to 0 per cent. Accordingly, the VAT receivable, long-term portion, includes an aggregate amount of KZT 15.1 billion recovered by ICA in 2005 and 2006 as a settlement of VAT from the state budget for the period from 2002 to 2005.

(3) Taxes recoverable include short-term VAT recoverable as a result of the intergovernmental agreement described in Note 2 above. VAT recoverable is classified as short-term if it was recovered within the current year.

(4) Cash and cash equivalents include available cash and investments readily available for conversion into cash within a three-month period. As at 31 December 2006, there are no limits for withdrawal of cash and cash equivalents.

Income Statement Data
For the year ended 31 December

	2004	2005	2006	
	<i>(KZT in millions)</i>	<i>(KZT in millions)</i>	<i>(KZT in millions)</i>	<i>(US\$ in millions)⁽¹⁾</i>
Revenues:				
Revenues from gas transportation.....	48,810.2	55,219.1	81,425.7	645.8
Revenues from sales of gas	29.2	244.7	1,848.5	14.7
Revenues from technical services.....	41.6	81.5	114.3	0.9
Revenues from gas storage.....	38.5	35.7	40.7	0.3
Total revenues	48,919.4	55,581.0	83,429.1	661.7
Cost of sales	(22,994.5)	(25,956.9)	(39,167.0)	(310.6)
Gross profit	25,925.0	29,624.0	44,262.2	351.0
Administrative expenses ⁽²⁾	(6,989.9)	(9,971.3)	(15,440.1)	(122.5)
Other operating expenses	(665.8)	(1,551.4)	(292.8)	(2.3)
Other operating income	547.9	289.7	78.8	0.6
Profit from operating activities	18,817.2	18,391.1	28,608.1	226.9
Foreign exchange gain/(loss), net ⁽³⁾	1,324.3	(582.0)	2,039.2	16.2
Finance cost	(2,817.1)	(4,681.0)	(3,560.3)	(28.2)
Finance income.....	467.4	1,358.7	1,515.0	12.0
Profit before income tax	17,791.7	14,486.9	28,601.9	226.8
Income tax expense ⁽⁴⁾	(5,518.0)	(4,626.5)	(9,896.0)	(78.5)
NET PROFIT AFTER TAX	12,273.7	9,860.4	18,705.9	148.4

(1) 2006 U.S. dollar amounts were translated from Tenge at the rate of exchange of KZT 126.09 = US\$1.00 which was the average daily closing rate of exchange on the KASE for the year ended 31 December 2006 as reported by the NBK.

(2) Administrative expenses include provisions for accounts receivable and inventory obsolescence.

(3) Foreign exchange gain/(loss), net includes foreign exchange gain less exchange loss.

(4) Income tax expense includes income tax plus deferred income tax liabilities less deferred tax assets.

RISK FACTORS

An investment in the Notes involves a high degree of risk. Accordingly, prospective investors should carefully consider, amongst other things, the risks described below, as well as the detailed information set out elsewhere in this Prospectus, and reach their own views before making an investment decision. The risks and uncertainties described below are not the only risks and uncertainties the Issuer or the Guarantor faces. Additional risks and uncertainties not presently known to the Issuer or the Guarantor, or that the Issuer or the Guarantor currently believes are immaterial, could also impair the Issuer's or Guarantor's business operations. If any of the following risks actually materialises, the Issuer's or the Guarantor's business, results of operations, financial condition or prospects could be materially adversely affected. If that were to happen, the trading price of Notes could decline and the Issuer may be unable to pay interest or principal on the Notes and the Guarantor may not be able to make any payments under the Guarantee, and investors may lose all or part of their investment.

In addition, factors which are material for the purposes of assessing the market risks associated with the Notes are also described below.

General Risks Relating to Emerging Markets

Investors in emerging markets such as Kazakhstan should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Investors should also note that emerging economies such as Kazakhstan's are subject to rapid change and that information set out in this Prospectus may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, investing in the Notes is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved, including the potential loss or significant diminution of their investment, and investors are urged to consult with their own legal and financial advisors before making an investment in the Notes.

Risks Relating to the Guarantor's Operations

The Guarantor's revenue is heavily dependent upon the volumes of natural gas transported by Gazprom, which volumes are in turn dependent on international demand for natural gas.

The Guarantor lacks a diversified customer base. The Guarantor's revenues are heavily dependent on the volumes of natural gas that it transports for Gazprom, its single largest customer, through Kazakhstan's natural gas transportation system. In 2006, Gazprom accounted for 99.9 per cent. of the Guarantor's international gas transit revenue and 89 per cent. of the Guarantor's total natural gas transportation revenue.

The Guarantor provides natural gas transit services to Gazprom primarily pursuant to the Gazprom Contracts, which include the Russian Gas Transit Contract for the transportation of Russian gas and the Turkmen/Uzbek Gas Transit Contract for the transportation of gas from Turkmenistan and Uzbekistan. Under the Gazprom Contracts, the tariffs the Guarantor may charge Gazprom have been fixed at a rate of US\$1.1 per 1,000 cubic metres of natural gas transported over 100 km of pipelines and are applicable to all transit volumes under contract with Gazprom until 2010. The Guarantor invoices Gazprom on a monthly basis for the volumes of natural gas transmitted through the gas transportation system operated by the Guarantor. These volumes for transit are determined by the parties on an annual basis in advance, based on the annual, quarterly and monthly forecasts prepared by Gazprom's central operations department.

In 2006, volumes of natural gas transported by ICA decreased relative to 2005, to 121.9 bcm from 129.9 bcm. The main factor for the decrease was lower volumes of Russian gas transported by ICA due to the redistribution of gas flows within Gazprom's main pipeline network. Repairs on certain of Gazprom's Russian pipelines also resulted in lower volumes transported through ICA's pipelines in 2006. See "Management's Discussion and Analysis of Results of Operations and Financial Condition—Factors Affecting Results of Operations—Key Customer Contracts and Bilateral Agreements" and "—Current Trading and Prospects".

Gazprom's volume requirements for Turkmen, Uzbek and Kazakh gas transit are determined by demand for gas in Russia, Ukraine and Poland and, to a lesser extent, Europe. Factors affecting natural gas consumption patterns in these countries, including weather, electricity generation from gas and other end uses of gas, can have a significant effect on demand from these countries. To some extent, natural gas prices, which are driven by global factors, can also have an effect on demand for natural gas.

International natural gas prices are typically linked to international prices for oil products. International oil prices have fluctuated widely in response to changes in a number of factors over which the Guarantor has no control. These factors include: economic and political developments in oil producing regions, particularly in the Middle East; global and regional supply and demand, and expectations regarding future supply and demand, for oil products; the ability of members of the Organisation of Petroleum Exporting Countries (“OPEC”) and other crude oil producing nations to agree upon and maintain specified global production levels; other actions taken by major crude oil producing or consuming countries; prices and availability of alternative fuels; global economic and political conditions; prices and availability of new technologies; and weather conditions. A decline in international prices for oil products and changes in the demand for natural gas could have a material adverse effect on the business, financial condition and the results of operations of the Guarantor.

The Guarantor may be unable to increase the tariffs it charges from its customers.

The Guarantor provides natural gas transit services to its customers based on tariff structures that are typically fixed. Under the Gazprom Contracts, the tariffs the Guarantor may charge Gazprom, the Guarantor’s single largest customer, have been fixed until 2010. See “Material Agreements—The Gazprom Contracts”. While international tariffs may under certain circumstances, and subject to approval by both the Guarantor and customer, be adjusted to reflect changes in the costs incurred by the Guarantor, including pursuant to a tariff re-negotiation mechanism in the Gazprom Contracts, the Guarantor may not be able to increase its tariffs to reflect an increase in its cost base. Further, the Guarantor may not be able to increase its tariffs in response to any potential decrease in the volume of gas transmitted by its customers, including Gazprom, in the future.

The amount of revenue the Guarantor receives depends on the volumes of natural gas it agrees with its customers to transmit through the pipelines it operates. While the Turkmen/Uzbek Gas Transit Contract contains a “take-or-pay” clause whereby Gazprom must pay for at least 80 per cent. of the agreed volumes regardless of the volumes actually required by Gazprom to be transported by the Guarantor, the Russian Gas Transit Contract does not contain a “take-or-pay” provision and the amount of revenue the Guarantor receives under the Russian Gas Transit Contract depends on the volumes of natural gas actually transmitted. If the Guarantor is unable to increase the international tariffs it charges from its customers, particularly as may be necessary to cover cost increases, or to respond to changes in year to year volumes of natural gas transmitted by its customers, this could have a material adverse effect on the Guarantor’s business, financial condition and results of operations. In addition, should the Guarantor be able to increase its international tariffs, this may make alternative routes for the transportation of Central Asian gas more economically attractive and feasible than they are at present, which could similarly have a material adverse effect on the Guarantor’s business, financial condition and results of operations.

Risks associated with third party pipelines may adversely affect the Guarantor’s ability to increase transportation volumes.

Users of the pipeline network operated by the Guarantor are dependent upon connections to third-party pipeline networks to receive and deliver natural gas. The CAC Pipeline and Bukhara-Ural Pipeline (both as defined herein) start in Turkmenistan and Uzbekistan, respectively, run through Kazakhstan and continue into Russia. The Soyuz and Orenburg-Novopskov pipeline systems link to the CAC Pipeline in Kazakhstan and extend into Russia. Accordingly, a reduction in the capacity of third party pipelines located in Turkmenistan, Uzbekistan and Russia, due to testing, line repair, reduced operating pressures, failure to properly maintain pipelines or other causes, or allocation of usage rights to the Guarantor’s customers interconnecting with such third party pipelines, could result in the reduction of volumes of gas transported by the Guarantor. See “Management’s Discussion and Analysis of Results of Operations and Financial Condition—Current Trading and Prospects”.

ICA is making significant capital expenditures to expand the capacity of the CAC Pipeline. See “Management’s Discussion and Analysis of Results of Operations and Financial Condition—Liquidity and Capital Resources—Capital Expenditures” and “Description of ICA—Strategy”. Failure by Turkmenistan and Uzbekistan to make similar expenditures to maintain their pipeline systems or to expand them to meet growing demand for gas by Gazprom may have an adverse effect on the volumes of gas entering into the CAC Pipeline in spite of increases in its capacity. Reductions of capacities of these interconnecting pipelines may occur due to testing, line repair, reduced operating pressures, failure to properly maintain pipelines or other causes. In addition, the Guarantor’s ability to increase transportation volumes to these interconnecting, third-party pipelines is dependent on corresponding increases in capacity of interconnecting pipelines. Should the Guarantor not be able to increase

transportation volumes, this could have a material adverse effect on the business, financial condition and results of operations of the Guarantor.

Gazprom’s natural gas exports from Central Asia may decline in importance if and when Gazprom brings on-stream its new Russian production fields and diversifies its export routes.

For a number of years, Gazprom’s own production of natural gas has not been increasing and Gazprom has been sourcing natural gas supplies to eastern and western Europe from Turkmenistan and Uzbekistan as part of its efforts to ensure adequate natural gas supplies to its own customers. However, Gazprom has indicated that, while purchases of natural gas from Turkmenistan and Uzbekistan are expected to constitute a significant proportion of Gazprom’s total sales volumes in the coming years, these purchases are expected to decline in importance if and when Gazprom brings on-stream new production fields and particularly when Gazprom brings the fields in the Yamal Peninsula on-stream. In addition, Gazprom has publicly stated that it plans to diversify its export routes through various export-oriented projects. These developments, if and when they occur, may have a material adverse effect on the volumes of natural gas transported by Gazprom through the natural gas transportation system operated by the Guarantor and, consequently, on the Guarantor’s business, financial condition and results of operations.

Volumes of gas transported through the natural gas transportation system operated by the Guarantor may decline in the event a pipeline from Turkmenistan to Europe by-passing the natural gas transportation system operated by the Guarantor and new pipelines in Russia are constructed.

To date, the Guarantor has not experienced any significant competition relative to the operation of the pipeline system under the Concession Agreement due to its monopolistic position as the primary operator of pipelines linking gas producers in Central Asia with consumers in Europe. See “Description of ICA—Competition”. However Management is aware of preliminary discussions on the part of Turkmenistan regarding the expansion of the pipeline running from Turkmenistan to Iran and further to Turkey, although no formal plans have been publicly announced by Turkmenistan. In addition, Gazprom has publicly indicated that it plans to diversify its natural gas exports and export routes to Europe through additional capacity investments in the Yamal-Europe pipeline project and through other export-oriented projects, such as the north European pipeline project under the Baltic Sea. Such developments, if and when they occur, may cause a decline in the volumes of natural gas transported by the Guarantor, which could have a material adverse effect on the business, financial condition and results of operations of the Guarantor.

The Guarantor’s non-compliance with, and a termination of, the Concession Agreement or ICA’s rights therein would prevent the Guarantor from carrying out its operations.

The Guarantor engages in the transportation of natural gas through the pipeline system operated by the Guarantor under the Concession Agreement in Kazakhstan, which connects natural gas producers principally from Turkmenistan, Uzbekistan and Kazakhstan to Russia, from one part of Russia to another through Kazakh territory, and distributes gas within Kazakhstan. The Concession Agreement has an initial term of 15 years, with an automatic extension for a further five-year period. Pursuant to the Concession Agreement, the Guarantor operates and maintains the natural gas transportation system of Kazakhstan, including the natural gas pipeline and certain storage facilities, and bears certain investment obligations with respect to its assets. See “Material Agreements—The Concession Agreement”. Although Management believes that the Guarantor is currently in compliance with the requirements of the Concession Agreement, if the Guarantor fails to fulfil specific terms of the Concession Agreement, the Government may terminate the Concession Agreement, which will result in the Guarantor’s inability to carry out its operations and would have a material adverse effect on the Guarantor’s business, financial condition and results of operations.

In 2004, the Concession Agreement was purported to be amended in a separate agreement, pursuant to which the the rights to operate and manage the assets comprising the natural gas transportation system for and on behalf of the Republic of Kazakhstan (so-called “operative management rights”) were transferred to SE Capitalneftegas, a Kazakhstan state enterprise. There is some uncertainty whether this agreement constitutes a valid and binding agreement effective for its stated purpose. Further, in order to complete all legal formalities relating to the transfer of the operative management rights to SE Capitalneftegas and to confirm ICA’s rights under the Concession Agreement relative to such operative management rights of SE Capitalneftegas, the rights of SE Capitalneftegas should have been re-registered in accordance with Kazakhstan laws. ICA is taking steps to cure any potential defects in the July 2004 Agreement. See “Material Agreements—The Concession Agreement”. While Management

believes that neither the potential invalidity or unenforceability of the July 2004 Agreement, nor a failure to complete the re-registration of SE Capitalneftegas' rights with respect to the assets, will have an adverse effect on ICA's rights under the Concession Agreement, if ICA's rights under the Concession Agreement were affected as a result of the foregoing, such lack of rights could have a material adverse effect on the business, financial condition and results of operations of ICA.

If Kazakhstan were to become a member of the World Trade Organisation, this may have an effect on ICA's ability to adjust its tariffs.

Kazakhstan is currently in membership discussions with the World Trade Organisation. Kazakhstan may be required, as a condition of membership, to liberalise tariff setting for natural gas transportation, including for international transit and export. If such requirement were to be imposed, and if it were accepted by Kazakhstan, ICA's relationship with Gazprom may be affected. In addition, an increase in ICA's international tariffs may make alternative routes for the transportation of Central Asian gas more economically attractive and feasible than they are at present, which may have a material adverse effect on the volumes of natural gas transported through the natural gas transportation system operated by the Guarantor and, consequently, on the Guarantor's business, financial condition and results of operations.

The Guarantor faces operational risks relating to the age and location of its facilities.

The Guarantor's natural gas transportation operations may be adversely affected by many factors, including the breakdown or failure of equipment or processes leading to performance below expected levels of output or efficiency, and terrorist attacks or sabotage to the extensive pipeline network operated by the Guarantor. A large number of the Guarantor's facilities and large segments of its networks are located in territories that experience severe weather conditions, particularly in winter, and extreme variability in winter and summer weather, which can accelerate wear and tear on pipelines and related equipment. At times, extremely harsh weather conditions can make it difficult to gain access to conduct repair or maintenance.

The natural gas transportation system operated by the Guarantor, including, without limitation, the pipelines and compressor stations, was largely constructed over 30 years ago. Most of the pipeline is over 25 years old with some parts of the pipeline more than 35 years old. See "Description of ICA—Pipelines". Considerable sums of money have been invested by the Guarantor to overhaul and improve the pipeline network and compressor stations to bring them up to standard in line with its overall strategy (see "Description of ICA—Strategy") and, while recently there have been no significant delays or curtailments of the supply of natural gas to the Guarantor's customers, there can be no assurance that such delays or curtailments will not occur in the future due to the stress and corrosion of pipelines, defective construction of compressor stations, problems associated with the harsh climate or the insufficient maintenance or refurbishment of the network. Further, approximately 80 per cent. of the maintenance work relating to the natural gas transportation system operated by the Guarantor are carried out by external contractors, and thus the Guarantor is dependent on the satisfactory performance by its external contractors and the fulfilment of their obligations. If an external contractor fails to perform its obligations satisfactorily, this may lead to delays or curtailments of the supply of natural gas. Should any of these events occur, this could have a material adverse effect on the Guarantor's business, financial condition and result of operation. For a discussion of the capital expenditures associated with the refurbishment and maintenance of the Guarantor's existing facilities and pipelines, see "Management's Discussion and Analysis of Result of Operations and Financial Condition—Liquidity and Capital Resources".

The Guarantor may not have sufficient funds to finance its capital expenditures.

The Guarantor believes that significant capital expenditures must be made in the medium-term if there is to be an increase in the transmission of Turkmenian natural gas through Kazakhstan's gas pipeline system. Further, there are currently initiatives to evaluate the feasibility of new transit routes, including a potential new route from the CAC Pipeline (as defined herein) to Southern Kazakhstan and China, which would require significant capital expenditure if undertaken. The Guarantor intends to finance any such capital expenditures from internally generated funds and external financing. There can be no assurance that internally generated funds will be sufficient to finance a significant portion of such capital expenditures. In the event that external financing is required, there can be no assurance that such financing can be arranged on terms acceptable to the Guarantor. Should the Guarantor not be able to obtain such financing, the Guarantor's future growth may be impaired which could have a material adverse effect on its business, financial condition and results of operations.

Environmental risks and regulations may lead to increased operational burden and expenses.

The Guarantor's operations are subject to the environmental risks inherent in the natural gas transportation industry. In January 2007, a new environmental regime was adopted by the State that includes stricter environmental requirements, with indications that the applicable environmental authorities are moving towards more stringent enforcement of both existing legislation and the new environmental requirements. As of the date of this Prospectus, the Guarantor is unable to predict with certainty the extent of any potential environmental liabilities under current legislation, or the effect of the new environmental laws or regulations, including whether any such laws or regulations would increase the Guarantor's environmental costs. There can be no assurance that the costs relating to environmental compliance with environmental regulations in the future and liabilities due to environmental damage caused by the Guarantor will not be material.

ABN AMRO Bank N.V. and BNP Paribas may have a conflict of interest.

ABN AMRO Bank N.V. and BNP Paribas, who are Managers in the offering of the Notes, are also creditors under the 2006 Bridge Facility (as defined herein). The Guarantor intends to use a portion of the loan proceeds from the Issuer to repay this facility. As a consequence, it may be viewed that ABN AMRO Bank N.V. and BNP Paribas have a strong interest in ensuring the Notes are issued so that a portion of the proceeds of such issuance will be used by the Guarantor to repay the outstanding amount owed to ABN AMRO Bank N.V. and BNP Paribas. For a description of the 2006 Bridge Facility, see "Management's Discussion and Analysis of Results of Operations and Financial Condition—Liquidity and Capital Resources—Indebtedness".

The Guarantor's insurance cover may be inadequate.

The Guarantor has insurance cover for third party environmental liability and property risks relating to the natural gas transportation system operated by it. However, the scope of such cover is more limited than the scope of cover which would normally be held by similar companies in a more developed economy; for example, the Guarantor does not carry insurance against sabotage or terrorist attacks. The relevant insurance policies are issued for a term of one year and the current insurance policies expire before 1 January 2008. The companies in the KTG Group, including the Guarantor, normally obtain insurance cover in the local insurance market and, although the local cover is reinsured in the international insurance markets, due to the limits of the local market, there is a risk that the Guarantor may be unable to obtain adequate insurance cover in relation to the facilities and operations of the gas transportation system operated by the Guarantor under the Concession Agreement. As a consequence, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Guarantor's business, financial position and results of operations.

Weaknesses in ICA's accounting systems and internal controls may affect its financial reporting under IFRS.

Similar to many other companies in emerging markets who have recently transitioned to reporting under IFRS from the standards of their local jurisdictions, ICA has in the past identified, and may in the future identify, areas of internal control over financial reporting that need improvement. In connection with the audit of the Financial Statements of ICA for the year ended 31 December 2006, Ernst & Young, the independent auditors of ICA, reported material weaknesses in ICA's internal controls and proposed several recommendations to improve those internal controls. Under the applicable international auditing standard, a material weakness is a weakness in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Specifically, Ernst & Young identified weaknesses in the controls over the preparation of ICA's Financial Statements in accordance with IFRS, and an inadequacy of resources within ICA's IFRS reporting team. As a result of the weaknesses identified by Ernst & Young, in Management's view, ICA has not reduced to an acceptably low level the risk that material errors in its financial statements may occur and may not be detected within a timely period by ICA in the normal course of business.

ICA is in the process of undertaking the following steps to address the identified weaknesses in its internal controls, with a targeted implementation date of 31 December 2007:

- Proceeding with IFRS training courses for ICA's financial reporting staff using appropriately qualified and experienced trainers.
- Preparing a comprehensive IFRS reporting package template containing all required disclosures to report on a going-forward basis and which would contain sufficient information to allow Management to prepare accurate and timely IFRS financial statements.

Ernst & Young considered these deficiencies in determining the nature, timing and extent of the procedures it performed in its audit of the Financial Statements of ICA as of and for the year ended 31 December 2006, and such deficiencies did not affect the independent auditors' report on the Financial Statements of ICA for 2006.

Despite the steps ICA is taking to address these issues, it may not be successful in remedying these material weaknesses or preventing future material weaknesses. In addition, ICA's growth in recent years and its strategy for continued growth may place an additional strain on accounting personnel and make it more difficult for ICA to remedy these material weaknesses or prevent future material weaknesses. If ICA is unable to remedy these material weaknesses or prevent future material weaknesses, it may not be able to prevent or detect a material misstatement of its annual or interim IFRS financial statements in the future. This could delay ICA's preparation of timely and reliable interim and annual financial statements, harm its operating results and cause investors to lose confidence in its reported financial information.

Notwithstanding the above, Management believes that ICA's financial systems are sufficient to ensure compliance with the requirements of the UKLA's Disclosure and Transparency Rules as a listed entity.

Risks Relating to the Involvement of the Government of Kazakhstan in the Affairs of the Guarantor

The Guarantor's status as a natural monopoly may limit profits.

The Guarantor is a natural monopoly under, and as defined in, the Law on Natural Monopolies of Kazakhstan (the "Law on Natural Monopolies"). While the Guarantor's international transit tariffs are not subject to regulation because of the Concession Agreement, the Guarantor's domestic gas transportation and natural gas storage tariffs are controlled by the Agency for Regulation of Natural Monopolies and Protection of Competition of Kazakhstan (the "Anti-Monopoly Agency"). Currently, domestic natural gas transportation and gas storage tariffs are kept at artificially low levels.

There can be no assurance that the Government will not continue to compel the Guarantor to transport natural gas at non-profitable rates in the domestic market. Furthermore, there can be no assurance that natural gas prices in Kazakhstan will increase, or that consumers will be willing or able to pay increased natural gas prices. Although revenues from domestic gas transportation represented only 2.8 per cent. of total transportation revenues for 2006, should the domestic gas transportation tariffs of the Guarantor be kept at non-profitable levels in the future, this could have a material adverse effect on the Guarantor's business, financial condition and results of operations.

The Government's ownership of KTG and the Guarantor may constrain the efficient and profitable management of the KTG Group.

KTG and its subsidiaries, including the Guarantor, are ultimately wholly owned by the Government, which has exercised and can be expected to continue to exercise strong influence over the operations of the KTG Group. Among other things, on an annual basis, the Government-owned company Samruk approves the medium term development plans for KazMunaiGas, the parent company of KTG, which include strategic objectives for KTG and the Guarantor, in accordance with the Government-issued programmes for the development of the oil and gas industry. The strategy and objectives of the Guarantor are heavily dependent on, and influenced by, the development plan set out by the Government for the oil and gas sector. Further, as a member of the KTG Group ultimately controlled by the Government, the Guarantor has provided, and may continue to provide financial support to related parties in the form of interest-free loans and guarantees. Such related party transactions may not be in the best interests of, or profitable for, the Guarantor.

As an entity controlled by the Government, the Guarantor has been and may be required by the Government, its ultimate shareholder, in the future to undertake social projects or other projects, or make a minimum level of monetary or in kind contributions to such projects, which may not be in the best interests of, or profitable for the Guarantor. See "—The Guarantor may not have sufficient funds to finance its capital expenditures".

In addition, the Government is in a position to appoint and remove, or influence the appointment and removal of, the members of management of KTG and its subsidiaries, including the Guarantor. There can be no assurance that the qualifications of candidates will be the only, or most significant, factor considered by the Government in appointing management.

Certain tax positions taken by the Guarantor may be challenged and reversed by the relevant tax authorities.

For tax purposes, the Guarantor has recognised certain depreciation charges that differ from depreciation charges recognised for accounting purposes. The deferred tax asset related to property, plant and equipment arises from the difference between the book and tax treatment of these assets. The uncertainty surrounding this treatment has resulted in an unrecognised deferred tax asset related to these assets. See the notes to the Financial Statements of ICA included elsewhere in this Prospectus. In addition, should the tax depreciation recognised for tax purposes in prior periods be challenged and reversed by the tax authorities, there can be no assurance that this would not have a material adverse effect on the business, financial condition and results of operations of the Guarantor.

Risks Relating to Kazakhstan

All of the Guarantor's assets are currently located in Kazakhstan and the Guarantor is therefore susceptible to country specific risk factors such as political, social and economic instability.

Kazakhstan became an independent sovereign state in 1991 as a result of the dissolution of the former Soviet Union. Since then, Kazakhstan has experienced significant change as it emerged from a single-party political system and a centrally controlled command economy to a market-oriented economic model. The transition was initially marked by political uncertainty and tension, a recessionary economy marked by high inflation and instability of the local currency and rapid, but incomplete, changes in the legal environment.

Since 1992, Kazakhstan has actively pursued a programme of economic reform designed to establish a free-market economy through privatisation of state enterprises and deregulation and is more advanced in this respect than most other countries of the Commonwealth of Independent States (the "CIS"). However, as with any economy in transition, there can be no assurance that such reforms and other reforms described elsewhere in this Prospectus will continue or that such reforms will achieve all or any of their intended aims.

Kazakhstan depends on neighbouring states for access to world markets for a number of its major exports, including oil, steel, copper, ferro-alloys, iron ore, alumina, coal, lead, zinc and wheat. Kazakhstan is thus dependent upon good relations with its neighbours to ensure its ability to export. In addition to taking various steps to promote regional economic integration among neighbouring countries, Kazakhstan signed an agreement in September 2003 with Ukraine, Russia, and Belarus for the creation of a single economic zone, which is expected to result in common economic policies, harmonisation of legislation implementing such policies and the creation of a single commission on trade and tariffs. The aim of the single economic zone is to create a free customs area within which member countries would enjoy free movement of goods, services, capital and labour. The member countries also intend to co-ordinate their fiscal, credit and currency policies. To support further economic integration with the CIS countries, one of the aims of which is to assure continued access to export routes. However, should access to these routes be materially impaired, the economy of Kazakhstan could be adversely affected. In furtherance of this goal and the agreement signed in September 2003 stating the intention to create a single economic zone, in August 2006, the Government authorised the signing of an agreement in respect of investment activities and free movement of capital in participant countries. This agreement calls for the integration of infrastructure of the financial markets of Kazakhstan, Ukraine, Belarus and Russia in accordance with international standards.

In March 2005, a revolution in neighbouring Kyrgyzstan removed the incumbent president and in elections held in July 2005 the head of the provisional administration, who had governed the country since March, was elected president. However, the political situation in Kyrgyzstan is fragile and its economy is in poor condition so further instability is a distinct possibility.

Like other countries in Central Asia, Kazakhstan could be affected by continuing political unrest in the region and the effect any resulting military action may have on the world economy and political stability of other countries. Also, in common with other countries in Central Asia, Kazakhstan could be affected by military or other action taken against sponsors of terrorism in the region. In particular, countries in the Central Asian region, such as Kazakhstan, whose economies and state budgets rely in part on the export

of oil and oil products and other commodities, the import of capital equipment and significant foreign investments in infrastructure projects, could be adversely affected by any resulting volatility in oil and other commodity prices and by any sustained fall in them or by the frustration or delay of any infrastructure projects caused by political or economic instability in countries engaged in such projects. The occurrence of any such event could have a material adverse effect on the business, financial condition and results of operations of the Guarantor.

The Guarantor is subject to macroeconomic fluctuations and exchange rate policies.

Since Kazakhstan is heavily dependent upon export trade and commodity prices, it was particularly affected by the Asian financial crisis in early 1998 and by the Russian crisis later that year, both of which exacerbated the problems associated with falling commodity prices. Because Kazakhstan is negatively affected by low commodity prices and economic instability elsewhere in the world, the Government has promoted economic reform, inward foreign investment and the diversification of the economy. Moreover, to mitigate any such negative effect, the Government established the National Fund of Kazakhstan in 2000 for the purpose of supporting the financial markets and the economy of Kazakhstan in the event of any sustained drop in oil revenues. Notwithstanding these efforts, however, low commodity prices and weak demand in its export markets may adversely affect the economy of Kazakhstan.

The Government began implementing market-based economic reforms following independence (including the implementation of a significant privatisation programme, the promotion of high levels of foreign direct investment (particularly in the oil and gas sector) and the introduction of an extensive legal framework). Despite uneven progress in this regard, Kazakhstan has experienced extensive economic transformation over the last 12 years. Since mid-1994, the Government has adhered to a macroeconomic stabilisation programme aimed at curtailing inflation, reducing the fiscal deficit and boosting international currency reserves. While gross domestic product (“GDP”) has continued to grow in real terms following the adoption of a floating exchange rate policy in April 1999, increasing by 13.5 per cent. in 2001, 9.8 per cent. in 2002, 9.3 per cent. in 2003, 9.6 per cent. in 2004, 9.5 per cent. in 2005 and 10.6 per cent. in 2006, there can be no assurance that the GDP will continue to grow and any fall in GDP growth could adversely affect the development of Kazakhstan.

The Tenge is convertible for current and capital account transactions, although it is not fully convertible outside Kazakhstan. Depressed export markets in 1998 and early 1999 caused considerable pressure on the managed exchange rate of Kazakhstan and resulting official intervention in the foreign exchange markets led to losses on foreign currency reserves. In response to these pressures, the NBK instituted a number of expenditure cuts, took revenue increasing measures and in April 1999 allowed the Tenge to float freely. In the period from the adoption of a floating exchange rate policy on 4 April 1999 to 31 December 1999, the Tenge depreciated by 58.0 per cent. against the U.S. dollar, resulting in an overall depreciation of the Tenge of 64.6 per cent. against the U.S. dollar in the year ended 31 December 1999, compared to a depreciation of 10.7 per cent. in the year ended 31 December 1998. Following the adoption of a floating exchange rate policy in 1999, the Tenge continued to depreciate in value against the U.S. dollar, although at a much lower rate, depreciating by 3.8 per cent. in 2001 and 3.3 per cent. in 2002. The Tenge subsequently appreciated against the U.S. dollar by 7.3 per cent. during 2003, by a further 9.9 per cent. during 2004 before depreciating against the U.S. dollar by 2.9 per cent. in 2005 to KZT 133.77 per U.S.\$1.00 as at 31 December 2005. In 2006, the Tenge appreciated by approximately 5.3 per cent. against the U.S. dollar. As at 31 December 2006, the official KZT/US\$ rate of exchange on the KASE as reported by the NBK was KZT 127.00 per US\$1.00. While the NBK has stated that it has no plans to resume a managed exchange rate policy, there can be no assurance that the NBK’s exchange rate policy will not change and any subsequent decision to support the exchange rate could have a material adverse effect on the public finances and economy of Kazakhstan and subsequently on the Guarantor’s business, financial condition and results of operations.

Any change in the existing policies of the Government, or a change in the Government or the president of Kazakhstan, may adversely affect the Guarantor’s ability to operate its business.

Since independence in 1991, Kazakhstan has had only one president and the country has been largely free from political violence. The Guarantor’s operations have benefited from these stable conditions. The Guarantor could face enhanced risk and uncertainty in the event of a change in the Government, including the possibility that a successor Government would seek to to reopen the tax, legal or other arrangements affecting the Guarantor’s operations, including, for example, the Concession Agreement, based on the Government’s own conception of the national interest and other factors.

Implementation of further market-based economic reforms may affect the Guarantor's operations.

The need for substantial investment in many enterprises has driven the Government's privatisation programme. The programme has excluded certain enterprises deemed strategically significant by the Government, although major privatisations in key sectors have taken place, such as full or partial sales of certain large oil and gas producers, mining companies and the national telecommunications company. However, there remains a need for substantial investment in many sectors of the economy and there are areas in which economic performance in the private sector is still constrained by an inadequate business infrastructure. Further, the amount of non-cash transactions in the economy and the size of the shadow economy adversely affect the implementation of reforms and restrict the efficient collection of taxes. The Government has stated that it intends to address these problems by improving bankruptcy procedures, the business infrastructure and tax administration and by continuing the privatisation process. Implementation of these measures, however, may not happen in the short-term and any positive results of such actions may not materialise until the medium term, if at all.

Uncertainties relating to the evolution of the legislative and regulatory framework in Kazakhstan could have a material adverse effect on the Guarantor's operations.

Although a large volume of legislation has come into force since early 1995, including a new tax code in January 2002, a new code relating to land usage in June 2003 and a new environmental code in January 2007, laws relating to foreign investments, additional regulation of the banking sector and other legislation covering such matters as securities exchanges, economic partnerships and companies, state enterprise reform and privatisation, the legal framework in Kazakhstan (although one of the most developed among the CIS countries) is at a relatively early stage of development compared to countries with established market economies. The judicial system in Kazakhstan may not be fully independent of social, economic and political forces and court decisions can be difficult to predict. In addition, senior Government officials may not be fully independent of outside economic forces owing to the underdeveloped regulatory supervision system enabling improper payments to be made without detection. Moreover, due to the presence of numerous ambiguities in the commercial legislation of Kazakhstan, in particular its tax legislation, the tax authorities may make arbitrary assessments of tax liabilities and challenge previous tax assessments, thereby rendering it difficult for companies to ascertain whether they are liable for additional taxes, penalties and interest. As a result of these ambiguities, as well as a lack of any established system of precedent or coherence in legal interpretation, the tax risks involved in doing business in Kazakhstan are substantially more significant than those in jurisdictions with a more developed tax system.

The Government has stated that it believes in continued reform of the corporate governance processes and will ensure discipline and transparency in the corporate sector to promote growth and stability. However, there can be no assurance that the Government will continue such policy, or that such policy, if continued, will ultimately prove to be successful. In addition, it is possible that new revenue raising measures will be adopted by the Government, which may result in significant additional taxes becoming payable. Further, the evolving fiscal and regulatory environment in Kazakhstan, including pending or future Governmental claims and demands, could require adjustment to, or restatements of, the financial statements of the Guarantor in order for those statements not to be misleading. Additional tax exposure, or retroactive adjustments to financial statements of the Guarantor, as a result of an evolving regulatory framework, could have a material adverse effect on the Guarantor's business and financial condition and on the results of operation of companies operating in Kazakhstan.

Corporate disclosure requirements in Kazakhstan differ from those in more developed economies.

Disclosure requirements and standards applicable to Kazakh companies differ from those in more developed economies in certain respects. In general, there may be substantially less information available about Kazakhstan companies, including the Guarantor than there would be generally available about a publicly traded company in certain other countries with more developed capital markets.

The securities market in Kazakhstan is less developed than in western jurisdictions.

An organised securities market was established in Kazakhstan in the mid-to-late 1990s and procedures for settlement, clearing and registration of securities transactions may, therefore, be subject to legal uncertainties, technical difficulties and delays. Although significant developments have occurred in recent years, the sophisticated legal and regulatory frameworks necessary for the efficient functioning of modern capital markets have yet to be fully developed in Kazakhstan. In particular, legal protections against market manipulation and insider trading are less well developed in Kazakhstan, and less strictly enforced

than in Western European countries and the United States and existing laws and regulations may be applied inconsistently with consequent irregularities in enforcement. In addition, less information relating to entities in Kazakhstan, such as the Guarantor, may be publicly available to investors in securities issued or guaranteed by such entities than is available to investors in entities organised in Western European countries or the United States.

Risks Relating to the Notes

The Notes are not suitable investments for all investors

The Notes are not a suitable investment for all investors, each potential investor in the Notes must determine the suitability of any investment in light of its own circumstances. In particular, each prospective investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, any investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- understand thoroughly the terms of the Notes; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments, they purchase them as a way to reduce risk or enhance yield with an understood, measured and appropriate analysis of the risk to their overall portfolio. A prospective investor should not invest in the Notes unless it has sufficient expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions and the resulting effects on the value of the Notes, and the impact this will have on their overall investment portfolio.

The Kazakh Securities Market Law was recently amended, and there is no guidance as to the applicability of new provisions relating to entities “resident” in Kazakhstan

In March 2007, Kazakhstan’s Law 230-III ZRK, containing amendments to a number of existing laws including the Securities Market Law, took effect. The Securities Market Law provides that any legal entity deemed to be resident in Kazakhstan must obtain the prior approval of the Kazakh Agency on Regulation and Supervision of the Financial Market and Financial Organisations (“FMSA”) with respect to any placement of securities abroad. In such case, the amended law also requires a listing of the securities on the Kazakhstan Stock Exchange and offering to be made in Kazakhstan. As amended, under the Securities Market Law, an entity is deemed to be resident in Kazakhstan, and subject to the requirements described above, if it is organised under the laws of Kazakhstan or if its principal management is carried out and strategic commercial decisions are made in Kazakhstan.

The Issuer is organised in The Netherlands and it intends to maintain residency there for tax purposes.

The changes to the Securities Market Law are broadly worded and, because they are relatively recent, there is no available interpretive guidance. Therefore, there can be no assurance that the FMSA or a Kazakh court would not consider factors other than the Issuer’s jurisdiction of incorporation to be relevant in determining if the Issuer is resident in Kazakhstan for the purposes of the Securities Market Law and that they would not determine that Issuer is not in compliance with the Securities Market Law. In particular there can be no assurance that the FMSA or a Kazakh court would not determine that the Issuer’s principal management is carried out, and its strategic commercial decisions are made, in Kazakhstan. The Issuer’s and the Guarantor’s legal advisers as to Kazakhstan law have informed the Issuer and the Guarantor that whether the Issuer will be deemed a resident of Kazakhstan for purposes of the Securities Market Law is primarily a question of fact and that they are unable to opine that the Issuer is not a resident of Kazakhstan for such purposes.

The Securities Market Law does not specify any penalties for non-compliance with its new provisions. However, the relevant authorities in Kazakhstan could seek to impose general administrative penalties

on the Guarantor, which are relatively modest fines. They could also seek to require the Issuer to effect a local listing and offering of the Notes. There can also be no assurance that the relevant authorities would not seek to impose on the Guarantor other penalties or requirements to remedy a claimed breach of the Securities Market Law provisions. Any such actions could have a material adverse effect on Guarantor's business, results of operations and financial condition.

Payments of interest to individuals within a Member State of the EU could be subject to taxation under EC Council Directive 2003/48/EC.

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

If, following implementation of this Directive, a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of this Directive, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

The trading price of the Notes could be affected by a change in the credit rating of the Guarantor or Kazakhstan.

Kazakhstan's sovereign eurobonds are rated "Baa1" by Moody's, "BBB" by Standard & Poor's and "BBB" by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. The Guarantor has received a long-term rating of "Baa1" from Moody's, "BB" from Standard and Poor's and "BB+" from Fitch. Any change in the credit rating of either the Guarantor or Kazakhstan could affect the trading price of the Notes.

The obligations assumed by the Guarantor in the Notes and related agreements to pay additional amounts in respect of taxes may be unenforceable.

As discussed under "Taxation—Kazakhstan Taxation", in the event that a claim is made in respect to the Guarantee, payments of interest in respect to the Notes made by the Guarantor in respect to the Guarantee will be subject to withholding tax at a rate of 15.0 per cent., unless, in the case of non-resident holders, it is reduced by a relevant double tax treaty. The Guarantor will agree in the Trust Deed to pay additional amounts in respect to such withholding. See "Terms and Conditions of the Notes—Condition 9 (Taxation)".

The enforceability in Kazakhstan of such an agreement has not yet been determined by the courts of Kazakhstan and there may be some doubt as to whether they would enforce such an agreement. The Notes are subject to redemption in whole at their principal amount plus accrued interest (if any) at the option of the Guarantor, in the event of certain changes in taxation in Kazakhstan. See "Terms and Conditions of the Notes—Condition 7(b) (Redemption for Taxation Reasons)". Prospective purchasers and holders of the Notes should consult their own professional advisers as to the tax consequences of holding or transferring the Notes.

There is no existing trading market for the Notes.

Prior to the offering of the Notes, there was no existing market for the Notes. Accordingly, there can be no assurance as to the liquidity of any market that may develop for the Notes, the ability of holders of the Notes to sell their Notes, or the price at which such holders would be able to sell the Notes. Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market. In addition, the liquidity of any market for the Notes will depend on

the number of holders of the Notes, the interest of securities dealers in making a market for the Notes and other factors.

The enforceability of foreign judgments in Kazakhstan may be limited.

Kazakhstan's courts will not enforce any judgment obtained in a court established in a country other than Kazakhstan unless there is a treaty in effect between such country and Kazakhstan providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is no such treaty in effect between Kazakhstan and the United Kingdom. However, each of Kazakhstan and the United Kingdom are parties to the Convention and, accordingly, an arbitration award should be recognised and enforceable in Kazakhstan provided the conditions of enforcement set out in the Convention are met.

Risks Relating to the Issuer

The Issuer has limited resources.

The Issuer is a private limited liability company incorporated in The Netherlands on 14 September 2004. The Issuer has no employees and its business consists primarily of raising funds in the international capital markets and on-lending such funds to the members of the KTG Group, including the Guarantor. As such, the Issuer is a finance subsidiary of KTG without independent operations or revenues and the offering of the Notes is the first offering by the Issuer with a guarantee given by the Guarantor only. The Issuer's ability to meet its obligations under the Notes will be wholly dependent upon the support of the Guarantor.

TERMS AND CONDITIONS OF THE NOTES

The following (subject to amendment and other than the text in italics) are the terms and conditions of the Notes which will be endorsed on each Note Certificate and will be attached and (subject to the provisions thereof) apply to each Global Note:

This Note is one of a duly authorised issue of U.S.\$600,000,000 6.375 per cent. Notes due 2017 (the “Notes”, which expression shall, unless the context otherwise so requires, be deemed to include a reference to any further notes issued pursuant to Condition 16 and forming a single series therewith) issued by Intergas Finance B.V. (the “Issuer”) and unconditionally and irrevocably guaranteed by JSC Intergas Central Asia (the “Guarantor”) pursuant to a deed of guarantee (the “Guarantee”). The Notes are constituted by a trust deed dated 14 May 2007 (the “Trust Deed”) among the Issuer, the Guarantor and BNY Corporate Trustee Services Limited (the “Trustee”, which expression shall include its successors as trustee under the Trust Deed), as trustee for holders of the Notes. The Issuer and the Guarantor have entered into a Paying Agency Agreement (the “Paying Agency Agreement”) dated 14 May 2007 with the Trustee, The Bank of New York as principal paying agent (the “Principal Paying Agent”), as registrar (the “Registrar”) and as transfer agent, and the other paying agents named therein (together with the Principal Paying Agent, the “Paying Agents”) and the other transfer agents named therein (together with The Bank of New York, in its capacity as a transfer agent, the “Transfer Agents”). The Registrar, Paying Agents and Transfer Agents are together referred to herein as the “Agents”, which expression and each of which definitions encompassed thereby include any successor agents appointed in these capacities from time to time in connection with the Notes and the Guarantee.

The holders of the Notes are entitled to the benefit of, are bound by and subject to, and are deemed to have notice of, all the provisions of the Notes, the Guarantee, the Trust Deed and the Paying Agency Agreement. Certain provisions of these terms and conditions (the “Conditions”) are summaries of the Notes, the Guarantee, the Trust Deed and the Paying Agency Agreement and are subject to the detailed provisions contained therein. Copies of the Guarantee, the Trust Deed and the Paying Agency Agreement are available for inspection during usual business hours at the specified offices, for the time being, of the Principal Paying Agent and of each of the Agents. The initial Agents and their initial specified offices are listed below.

References to “Conditions” are, unless the context otherwise requires, to the numbered paragraphs of these Conditions.

For the purposes of the Restricted Global Note and the Unrestricted Global Note, any reference in the Conditions to “Note Certificate” or “Note Certificates” shall, except where the context otherwise requires, be construed so as to include the Restricted Global Note or, as the case may be, the Unrestricted Global Note and interests therein.

1. Form, Denomination and Title

(a) *Form and Denomination*

The Notes are in definitive, fully registered form, without interest coupons attached, in a minimum denomination of U.S.\$100,000 (one hundred thousand) or any amount in excess thereof which is an integral multiple of U.S.\$1,000 (one thousand) (each, an “authorised denomination”). A certificate (each a “Note Certificate”) will be issued to each Noteholder in respect of its registered holding or holdings of Notes. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the register (the “Register”), which the Issuer shall procure to be kept by the Registrar.

(b) *Title*

Title to the Notes will pass by and upon registration in the Register. In these Conditions, “Noteholder” and “holder” mean the Person (as defined below) in whose name a Note is registered in the Register (or, in the case of joint holders, the first-named thereof).

The holder of any Note will (except as otherwise requested by such holder in writing or as otherwise ordered by a court of competent jurisdiction or required by law) be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or any interest therein, any writing thereon by any Person (other than a duly executed transfer thereof in the form endorsed thereon) or any notice of any previous theft or loss thereof, and no Person will be liable for so treating the holder.

As used in these Conditions, “Person” means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or other judicial entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality.

2. Transfer of Notes and Issue of Notes

(a) *Transfer*

Subject to Conditions 2(d) and 2(e), a Note may be transferred in whole or in part in an authorised denomination upon the surrender of the Note Certificate representing that Note, together with the form of transfer (including any certification as to compliance with restrictions on transfer included in such form of transfer) endorsed thereon (the “Transfer Form”) duly completed and executed, at the specified office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or, as the case may be, such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the persons who have executed the Transfer Form. Transfer Forms are also available from the Transfer Agents, the Registrar and the Issuer upon the request of any holder. In the case of a transfer of only a portion of the Notes represented by a Note Certificate, both the portion transferred and the balance thereof not transferred must be in an authorised denomination, and a new Note Certificate in respect of such balance not so transferred will be issued to the transferor.

(b) *Delivery*

Each new Note Certificate to be issued upon a transfer of any Note will, as soon as practicable and, in any event, within five Business Days (as defined below) of the request for transfer being duly made, be delivered at the specified office of the Registrar or, as the case may be, any Transfer Agent or (at the request and the risk of such transferee) be mailed free of charge to the transferee by uninsured post to such address as the transferee entitled to the Notes represented by such Note Certificate may have specified. In this Condition 2(b), “Business Day” means a day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign currencies) in the cities in which the Registrar and any such Transfer Agent have their respective specified offices.

(c) *No Charge*

Registration or transfer of Notes will be effected without charge to the holder or transferee thereof, but upon payment (or against such indemnity from the holder or the transferee thereof as the Registrar or the relevant Transfer Agent may require) in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such registration or transfer.

(d) *Closed Periods*

No Noteholder may require the transfer of a Note to be registered during the period of 15 calendar days ending on the due date for any payment of principal or interest in respect of such Note.

(e) *Regulations concerning Transfer and Registration*

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes set out in a Schedule to the Paying Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee, the Registrar and the Transfer Agents. A copy of the current regulations will be sent, free of charge, by the Registrar or any Transfer Agent to any Noteholder who so requests in writing to the specified office of the Registrar or such Transfer Agent.

3. Status of Notes and Guarantee

(a) *Status of the Notes*

The Notes constitute direct, general, unconditional and (subject to Condition 4) unsecured obligations of the Issuer. The Notes rank, and will at all times rank, *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured obligations of the Issuer, save only for such obligations as may be preferred by mandatory provisions of applicable law.

(b) *Status of the Guarantee*

The Guarantor has in the Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes and under the Trust Deed and the Paying Agency Agreement and the prompt and complete performance of and compliance with all other obligations expressed to be undertaken by the Issuer under the Notes and the Trust Deed. The obligations of the Guarantor under the Guarantee constitute direct, general, unconditional and (subject to Condition 4) unsecured obligations of the Guarantor and rank, and will at all times rank, at least *pari passu* with all of the other present and future unsecured obligations of the Guarantor, save only for such obligations as may be preferred by mandatory provisions of applicable law. The Guarantor has further undertaken in the Guarantee that, for so long as any of the Notes remain outstanding (as defined in the Trust Deed), it will not take any action for the liquidation or winding-up of the Issuer and will procure that sufficient funds are at all times made available to the Issuer to enable it to meet its liabilities as and when they fall due.

4. Negative Pledge

(a) *Negative Pledge of the Issuer*

So long as any Note remains outstanding, the Issuer shall not, and shall not permit any of its Subsidiaries (as defined below) to, create, incur, assume or permit to arise or subsist any Security Interest (as defined below) upon the whole or any part of their respective undertakings, assets or revenue, present or future, to secure any Financial Indebtedness (as defined below) of the Issuer, any such Subsidiary or any other Person or any Indebtedness Guarantee (as defined below) in respect thereof, unless, at the same time or prior thereto, the Issuer's obligations under the Notes are secured equally and rateably therewith or have the benefit of such other arrangement as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders or as the Trustee shall determine (in reliance on a written opinion of an expert satisfactory to the Trustee) to be not materially less beneficial to the Noteholders.

(b) *Negative Pledge of the Guarantor*

So long as any Note remains outstanding, the Guarantor shall not, and shall not permit any of its Subsidiaries (as defined below) to, create, incur, assume or permit to arise or subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of their respective undertakings, assets or revenue, present or future, to secure any Financial Indebtedness of the Guarantor, any such Subsidiary or any other Person or any Indebtedness Guarantee in respect thereof, unless, at the same time or prior thereto, the Guarantor's obligations under the Guarantee and under the Trust Deed and the Paying Agency Agreement to the satisfaction of the Trustee are secured equally and rateably therewith or have the benefit of such other arrangement as may be approved by an Extraordinary Resolution of Noteholders or as the Trustee shall determine (in reliance on a written opinion of an expert satisfactory to the Trustee) to be not materially less beneficial to the Noteholders.

(c) *Certain Definitions*

For the purposes of these Conditions:

“Financial Indebtedness” means (i) any Indebtedness of any Person for or in respect of (A) Indebtedness for Borrowed Money, (B) documentary credit facilities or (C) bonds, standby letters of credit or other similar instruments issued in connection with the performance of contracts; and (ii) any Indebtedness Guarantees in respect of any of the foregoing Indebtedness.

“Indebtedness Guarantee” means, in relation to any Financial Indebtedness of any Person, any obligation of another Person to pay such Financial Indebtedness, including (without limitation) (i) any obligation to purchase such Financial Indebtedness; (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Financial Indebtedness; (iii) any indemnity against the consequences of a default in the payment of such Financial Indebtedness; and (iv) any other agreement to be responsible for such Financial Indebtedness.

“Indebtedness” means any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent.

“Indebtedness for Borrowed Money” means any Indebtedness of any Person for or in respect of (i) monies borrowed; (ii) amounts raised by acceptance under any acceptance credit facility; (iii) amounts raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instruments; (iv) amounts raised pursuant to any issue of shares of any Person which are expressed to be redeemable; (v) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with generally accepted accounting principles or standards in the jurisdiction of incorporation of such Person, be treated as finance or capital leases; (vi) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred primarily as a means of raising finance or financing the acquisition of the relevant asset or service; and (vii) amounts raised under any other transaction (including any forward sale or purchase agreement and the sale of receivables on a “with recourse” basis) having the commercial effect of a borrowing.

“Limited Recourse Indebtedness” means any Indebtedness of the Guarantor or any of its Subsidiaries to finance the ownership, acquisition, development, redevelopment or operation of an asset or to finance or facilitate the receipt of any specified revenue or receivables in respect of which the Person or Persons to whom any such Indebtedness is or may be owed (for purposes of this definition, a “Lender”) by the Guarantor or Subsidiary (for purposes of this definition, a “Borrower”) has or have no recourse whatsoever to any Borrower for the repayment thereof other than (i) recourse to the relevant Borrower for amounts limited to the cash flow or net cash flow from such asset or receivable; and/or (ii) recourse to the proceeds of enforcement of any Security Interest given by such Borrower over such asset or receivable or the income, cash flow or other proceeds deriving there from (“Relevant Property”) (or given by any owner of voting equity interests in a Borrower over such voting equity interest (“Related Property”)) to secure such Indebtedness, provided that (A) the extent of such recourse to such Borrower is limited solely to the amount of any recoveries made in respect of such enforcement and (B) such Lender is not entitled, by virtue of any right or claim arising out of or in connection with such Indebtedness, to commence proceedings for the bankruptcy, insolvency, liquidation, winding up or dissolution of such Borrower or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of the Borrower or any of its Relevant Property or Related Property; and/or; (iii) recourse to the relevant Borrower generally, or directly or indirectly to the Guarantor or its Subsidiaries (other than such Borrower), under any form of assurance, undertaking or support, which recourse is limited to a claim for damages (other than liquidated damages or damages required to be calculated pursuant to a specified formula) for breach of an obligation to comply or to procure compliance by another person with any financial ratios or other tests of financial condition) by the person in favour of which such recourse is available.

“Permitted Security Interest” means any Security Interest (i) existing on the date of the Trust Deed in respect of Indebtedness then outstanding; (ii) granted in favour of the Guarantor by any of its Subsidiaries to secure Financial Indebtedness owed by such entity to the Guarantor; (iii) arising pursuant to any order of attachment, distraint or similar legal process arising in connection with court or arbitration proceedings or as security for costs and expenses in any such proceedings, so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings; (iv) being liens or rights of set-off arising by operation of law and in the ordinary course of business, which have not been foreclosed or otherwise enforced against the assets to which they apply, including, without limitation, any rights of set-off with respect to demand or time deposits maintained with financial institutions and bankers’ liens with respect to assets of the Guarantor held by financial institutions; (v) in respect of Limited Recourse Indebtedness; (vi) in respect of any assets existing at the time of acquisition of such assets in the ordinary course of business by the Guarantor or any of its Subsidiaries or to secure the payment of all or any part of the purchase price upon the acquisition of such assets in the ordinary course of business by the Guarantor or any of its Subsidiaries, where such Security Interest is incurred at the time of such acquisition; (vii) in respect of any assets of a Person existing (A) at the time such Person becomes a Subsidiary of the Guarantor, (B) at the time such Person is merged into or consolidated with the Guarantor or a Subsidiary of the Guarantor or (C) at the time of an acquisition of the assets of such Person as an entirety or substantially as an entirety by the Guarantor or a Subsidiary of the Guarantor; (viii) comprising easements, rights of way, restrictions (including zoning restrictions), reservations, permits, servitudes, minor defects or irregularities in title and other similar charges or encumbrances, in each case not interfering, individually or in the aggregate, in any material respect with the business of the Guarantor or any Subsidiary of the Guarantor and existing, arising or incurred in the ordinary course of business; (ix)

granted in favour of any noteholders or any trustee acting for them by the Issuer over any proceeds of any indebtedness incurred by the Issuer and on-lent by it to the Guarantor to secure any Indebtedness owed by the Issuer to such noteholders or such trustee; (x) not included in any of the above exceptions, in aggregate securing Financial Indebtedness with an aggregate principal amount not exceeding 20 per cent. of the consolidated Financial Indebtedness of the Guarantor, reduced by the sum of (A) the then outstanding amounts (or their equivalent in other currencies) payable to third party beneficiaries pursuant to all Gazprom Receivable Sales (as defined herein), and (B) the then outstanding aggregate principal amount of Financial Indebtedness secured by Permitted Security Interests created or permitted to exist pursuant to subparagraphs (i) and (ii) above, in each case, as calculated at the time of the creation of each such Security Interest; and (xi) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Security Interest referred to in the foregoing clauses (a) through (i), provided, that the principal amount of Indebtedness secured thereby shall not exceed the principal amount of Indebtedness so secured immediately prior to such extension, renewal or replacement and that such extension, renewal or replacement shall be limited to all or part of the assets which constituted the Security Interest so extended, renewed or replaced.

“Security Interest” means any mortgage, charge, pledge, lien, security interest or other encumbrance securing any obligation of any Person or any other type of preferential arrangement having similar effect over any assets or revenue of such Person, including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

“Subsidiary” means, in relation to any Person (the “first Person”) at a given time, any other Person (the “second Person”) (i) whose affairs and policies the first Person directly or indirectly controls or (ii) as to whom the first Person owns directly or indirectly more than 50 per cent. of the capital, voting stock or other right of ownership. “Control”, as used in this definition, means the power by the first Person to direct the management and the policies of the second Person, whether through the ownership of share capital, by contract or otherwise.

5. Certain Covenants

For so long as any Note remains outstanding:

(a) *Merger and Consolidation*

Subject in all instances to Condition 7(b), the Guarantor shall not consolidate with, merge with or into, or liquidate into, or convey, transfer or lease all or substantially all of its assets to, any Person, unless: (i) the corporation (if other than the Guarantor) formed by or resulting from any such consolidation or merger shall be a corporation duly incorporated, organised and existing under the laws of the Republic of Kazakhstan and shall assume the performance and observance of all of the obligations and conditions of these Conditions, the Guarantee, the Trust Deed and the Paying Agency Agreement to be performed or observed by the Guarantor; (ii) the Guarantor or such successor corporation, as the case may be, shall not immediately thereafter be in default in relation to its obligations under any Indebtedness; (iii) there has been delivered to the Trustee one or more opinion(s) of counsel acceptable to the Trustee (A) to the effect that holders of Notes will not recognise income, gain or loss for U.S. federal income tax purposes as a result of such consolidation, merger, conveyance, transfer or lease and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such consolidation, merger, conveyance, transfer or lease had not occurred and (B) addressing such other matters as the Trustee may deem necessary; and (iv) the senior debt of the Guarantor or such successor corporation shall at the time of the relevant event be rated by at least one internationally recognised rating organisation and either (x) the Trustee shall have been advised by each such organisation (or, if more than two, by a majority of them) that the relevant event will not result in a downgrade of such rating organisation’s or organisations’ rating of the Notes or the senior debt of the Guarantor or such successor corporation or (y) no downgrade by any such organisation of the then current rating of the Guarantor shall have occurred as a result of any such event.

(b) *Concession Agreement*

The Guarantor will not sell, assign, transfer, lease, convey or otherwise dispose of any of its right, title or interest in, to or under, or terminate or permit or suffer to terminate, expire or otherwise be repealed or rescinded, the Agreement on Concession of Internal and International Gas Transportation Systems and Business (the “Concession Agreement”), including, without

limitation, its exclusive right to operate the mainline gas distribution networks in the Republic of Kazakhstan. Furthermore, the Guarantor will not, without the prior written consent of the Trustee, agree to any amendment to, or any modification or waiver of, the terms of the Concession Agreement in any way which shall be materially prejudicial to the interests of the Noteholders, provided, however, that the Concession Agreement may be terminated so long as (i) prior to the effective date of any such termination, the Guarantor shall have entered into another agreement with the Republic of Kazakhstan or any competent agency thereof which shall grant the Guarantor rights and privileges which shall be no less favourable to the Guarantor than the rights and privileges contained in the Concession Agreement and shall, in any event, include the exclusive right to operate the mainline gas distribution networks in the Republic of Kazakhstan; (ii) the Trustee shall have received, and found satisfactory, an opinion of counsel acceptable to the Trustee to the effect that the new agreement shall be legal, valid, binding and enforceable against the Republic of Kazakhstan on or before the date of termination of the Concession Agreement; and (iii) either (x) the Trustee shall have been advised by each such organisation (or, if more than two, by a majority of them) which shall then be rating the Notes (or the senior debt of the Guarantor) that the termination of the Concession Agreement and the execution of a new legal agreement will not result in a downgrade of such rating organisation's or organisations' rating of the Notes or the senior debt of the Guarantor or (y) no downgrade by any such organisation of the then current rating of the Guarantor shall have occurred as a result of such events.

(c) *Limitation on Payment of Dividends*

The Guarantor will not pay any dividends, in cash or otherwise, or make any other distributions (whether by way of redemption, acquisition or otherwise) in respect of its share capital or by way of management or other similar fees payable to its direct or indirect shareholders (other than payments to be made by the Guarantor to the Republic of Kazakhstan pursuant to the Concession Agreement) (i) at any time when there exists an Event of Default (as defined in Condition 10 or an event which, with the passage of time or the giving of notice, or both, would constitute an Event of Default) or (ii) at any time when no such Event of Default or event exists, in an aggregate amount exceeding 50 per cent. of the Guarantor's net income for the period in respect of which the dividend or other distribution is being paid.

(d) *Limitation on Disposals of Certain Receivables*

The Guarantor shall not, and it shall procure that none of its Subsidiaries shall, either in a single transaction or in a series of transactions, whether related or not and whether voluntarily or involuntarily, sell, assign (except when used as a Permitted Security Interest), transfer, lease, convey or otherwise dispose of all or any part of its rights relating to present and future receivables, including the proceeds thereof, generated under or pursuant to any contracts or other arrangements for the transportation or storage of natural gas with OJSC Gazprom, any of its affiliates or any other entity whose receivables owing to the Guarantor or any Subsidiary of a Guarantor represent 5 per cent. or more of the consolidated gross assets of the Guarantor (the "Gazprom Receivables"); provided that the Guarantor shall be permitted to sell, assign, transfer, lease, convey or otherwise dispose of Gazprom Receivables during any fiscal year in an aggregate amount, which, when added to the then outstanding aggregate principal amount of Financial Indebtedness secured by Permitted Security Interests incurred or permitted to exist pursuant to subparagraph (x) of Condition 4(c) – Definition of "Permitted Security Interest" (or its equivalent in other currencies), shall not exceed 20 per cent. of the total amount of Gazprom Receivables generated during the fiscal year immediately preceding the date of the relevant transaction, so long as the consideration received by the Guarantor in connection with any such sale, assignment, transfer, lease, conveyance or other disposal of Gazprom Receivables shall be equal to the fair market value of such Gazprom Receivables and shall be paid to the Guarantor in the same currency in which such Gazprom Receivables are denominated and such sale, assignment, transfer, lease, conveyance or other disposal of receivables shall be concluded on a non-recourse basis (for the payment thereof) to the Guarantor, the Issuer or any of their respective Subsidiaries (each, a "Gazprom Receivable Sale"), and further provided that the Guarantor shall be permitted to grant security interests in Gazprom Receivables subject to the restrictions and limitations set out in Condition 4.

(e) *Provision of Financial Information*

For so long as any Notes are outstanding and are "restricted securities" within the meaning of Rule 144A(a)(3) under the United States Securities Act of 1933, as amended (the "Securities

Act”), each of the Issuer and the Guarantor will furnish upon the request of a holder of Notes or a beneficial owner of an interest therein to such holder or beneficial owner or to a prospective purchaser of Notes designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act and will otherwise comply with the requirements of Rule 144A under the Securities Act, if at the time of such request the Issuer or the Guarantor is not a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”), or exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

The Issuer and the Guarantor have further agreed under the Trust Deed to make the 144A Information available, until the maturity of the Notes, during normal business hours at the specified office of the Principal Paying Agent from time to time.

6. Interest

Each Note bears interest from and including 14 May 2007 at the rate of 6.375 per cent. per annum. Interest is payable semi-annually in arrear on 14 November and 14 May in each year commencing on 14 November 2007 (each an “Interest Payment Date”) until the principal of such Note is paid or duly made available for payment, unless any such date is not a Business Day (as defined in Condition 8), in which case the relevant Interest Payment Date shall be the first following day that is a Business Day unless that day falls in the next calendar month, in which case that Interest Payment Date shall be the first preceding day that is a Business Day.

Each Note will cease to bear interest from the due date for final redemption unless, after due presentation and surrender of the relevant Note Certificate, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at the rate set out above (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder and (b) the day which is seven days after the Trustee, Registrar or the Principal Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is any subsequent default in payment).

If interest is required to be calculated for a period of less than six months, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed. The amount of interest payable on each Interest Payment Date in respect of each U.S.\$1,000 in principal amount of Notes shall be U.S.\$63.75.

7. Redemption, Purchase and Cancellation

(a) Final Redemption

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed by the Issuer at their principal amount on 14 May 2017, subject as provided in Condition 8. The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 7.

(b) Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Noteholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to the date fixed for redemption), if (i) the Issuer notifies the Trustee immediately prior to the giving of such notice that it or the Guarantor has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of any Taxing Jurisdiction (as defined in Condition 9), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 14 May 2007, and which Additional Amounts, in the case of the Guarantor, are in excess of the Additional Amounts that would be payable if Taxes (as defined in Condition 9) were applied to payments of interest on the Notes at a rate of 20 per cent.; and (ii) such obligation cannot be avoided by the Issuer or the Guarantor taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Amounts. Prior to the publication of any notice of redemption pursuant to this Condition 7(c), the Issuer or the Guarantor (as the case may be) shall deliver to the Trustee a certificate signed by two Directors of the Issuer or the Guarantor (as the case may be) stating that the obligation referred to in (i) above cannot be avoided

by the Issuer taking reasonable measures available to it. Concurrently, the Issuer or the Guarantor (as the case may be) will deliver to the Trustee a written opinion of counsel acceptable to the Trustee to the effect that the Issuer or the Guarantor (as the case may be) has become obligated to pay such Additional Amounts as a result of a change or amendment described in (i) above, that the Issuer or the Guarantor (as the case may be) cannot avoid payment of such Additional Amounts by taking reasonable measures available to it and that all governmental approvals necessary for the Issuer or the Guarantor (as the case may be) to effect such redemption have been obtained and are in full force and effect or specifying any necessary approvals that have not been obtained. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the Conditions precedent set out in (i) and (ii) above in which event it shall be conclusive and binding on the Noteholders.

(c) *Purchase on Change of Control*

Upon the occurrence of a Change of Control, each holder will have the right to require the Issuer to purchase all or any portion (equal to U.S.\$100,000 or any amount in excess thereof which is an integral multiple of U.S.\$1,000, of the holder's Notes, pursuant to the offer described below (the "Change of Control Offer"), at a purchase price in cash equal to the aggregate principal amount thereof, plus accrued and unpaid interest thereon to the date of purchase (the "Change of Control Price").

Within 30 days following a Change of Control, the Issuer will give notice to each holder of Notes in the manner described in Condition 15(a) and to the Trustee, describing the transaction that constitutes the Change of Control and offering to purchase the Notes at the Change of Control Price on the date specified in such notice, which date shall be no earlier than 30 days and no later than 60 days from the date such notice is given (the "Change of Control Payment Date"), pursuant to the procedures required by the Trust Deed and described in such notice. The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent such laws and regulations are applicable in connection with the purchase of the Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Trust Deed, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Trust Deed by virtue of such conflict.

On or before the Change of Control Payment Date, the Issuer will, to the extent lawful:

- (i) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer;
- (ii) deposit with the Principal Paying Agent an amount equal to the Change of Control Price in respect of all Notes or portions thereof so tendered; and
- (iii) deliver or cause to be delivered to the Trustee the Notes so accepted together with a certificate signed by two Directors of the Issuer stating the aggregate principal amount of the Notes or portions thereof being purchased by the Issuer.

The Principal Paying Agent will promptly deliver to each holder of Notes so tendered the Change of Control Price for such Notes, and the Principal Paying Agent will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; provided, however that each such new Note will be in an authorized denomination. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

A "Change of Control" will be deemed to have occurred upon the occurrence of any of the following:

- (a) the sale, assignment, transfer, lease, conveyance or other disposal, in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer or the Guarantor to any "person" (as such term is used in Section 13(d)(3) of the Exchange Act) other than the Republic of Kazakhstan or any agency or instrumentality of the Republic of Kazakhstan or a person more than 50 per cent. of the voting power of the capital stock of which is "beneficially owned" (as such term is defined in Rule 13(d)(3) and Rule 13(d)(5) under the Exchange Act) by the Republic or such agency or instrumentality; or

(b) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any “person” (as such term is defined above), other than the Republic or any agency or instrumentality of the Republic or a person more than 50 per cent. of the voting power of the capital stock of which is “beneficially owned” (as such term is defined in Rule 13(d)(3) and Rule 13(d)5 under the Exchange Act) by the Republic or such agency or instrumentality, becomes the “beneficial owner” (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act), directly or indirectly through one or more intermediaries, of more than 50 per cent. of the voting power of the capital stock of the Issuer or the Guarantor.

(d) *Purchase*

Each of the Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase or procure others to purchase for its account the Notes at any price in the open market or otherwise. Any purchase by tender shall be made available to all Noteholders alike. Notes so purchased may be held or resold (provided that such resale is outside the United States as defined in Regulation S under the Securities Act) or surrendered for cancellation, at the option of the purchaser. Any Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries, shall not entitle the holder to vote at any meeting of Noteholders and shall be deemed not to be outstanding for the purpose of calculating quorums at meetings of Noteholders.

(e) *Cancellation*

All Notes redeemed or purchased and surrendered for cancellation as aforesaid will be cancelled forthwith and may not be re-issued or re-sold.

8. Payments

(a) *Principal*

Payments of principal (whenever due) will be made, together with interest due thereon on redemption, by transfer to the account of the Noteholder appearing in the Register or, if it has not provided details of such a registered account to the Registrar or any Transfer Agent, by U.S. dollar cheque drawn on a bank in New York City mailed to the registered address of the Noteholder by uninsured mail at the risk of the Noteholder. Such payment will only be made upon due presentation and surrender of the relevant Note Certificate at the specified office of any Paying Agent.

(b) *Interest*

Subject to the paragraph directly following below and Condition 8(d), payments of interest (other than interest due on redemption) in respect of each Note will be made by U.S. dollar cheque drawn on a bank in New York City and mailed by uninsured mail at the risk of the Noteholder to the relevant Noteholder at the address appearing in the Register as provided below. For the purposes of Condition 8(a) or 8(b), the Noteholder will be deemed to be the Person shown as the holder on the Register on the fifteenth day before the due date for such payment.

Upon application by a Noteholder to the specified office of the Registrar not later than the fifteenth day before the due date for the payment of any interest (other than interest due on redemption) in respect of such Note, such payment will be made by transfer to a U.S. dollar account maintained by the payee with a bank in New York City. Any such application or transfer to a U.S. dollar account shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Notes which become payable to the Noteholder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such Noteholder.

(c) *Payments Subject to Fiscal Laws*

All payments of principal and interest in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 9. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payment on Business Days*

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day (as such term is defined below), for value the first following day which is a Business Day) will be initiated (i) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered at the specified office of any of the Paying Agents (in the case of principal and interest due on redemption) and (ii) on the due date for payment (in the case of interest due other than on redemption).

Where payment is to be made by cheque, the cheque will be mailed (i) on the Business Day immediately preceding the due date for payment and the day on which the relevant Note Certificate is surrendered at the specified office of any of the Paying Agents (in the case of principal and interest due on redemption) and (ii) on the Business Day immediately preceding the due date for payment (in the case of interest due other than on redemption).

In these Conditions (other than Condition 2 (b)), “Business Day” means a day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign currencies) in London and New York City and, in the case of the surrender of a Note Certificate, in the place where the Note Certificate is surrendered.

(e) *Partial Payments*

If at any time a partial payment of principal and/or interest is made in respect of any Note, the Registrar shall endorse the Register with a statement indicating the amount and date of such payment.

(f) *Delay in Payments*

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving any amount due in respect of any Note as a result of (i) the due date not being a Business Day, (ii) the Noteholder being late in surrendering its Note Certificate (if required to do so) or (iii) a cheque mailed in accordance with this Condition 7 arriving after the due date for payment or being lost in the mail.

(g) *Trustee and Agents*

The names of the Trustee and the initial Agents and their initial specified offices are set out below. The Trustee may retire at any time on giving at least three months’ written notice to the Issuer and the Guarantor without giving any reason or being responsible for any costs occasioned by such retirement and the Noteholders may by Extraordinary Resolution remove the Trustee provided that the retirement or removal of a sole trust corporation will not be effective until a trust corporation is appointed as successor Trustee. Any of the Agents may resign in accordance with the provisions of the Paying Agency Agreement and the Issuer and the Guarantor acting together may, at any time, as more fully provided in the Paying Agency Agreement, with the consent of the Trustee vary or terminate the appointment of any Agent and appoint additional or other Agents, provided that there will at all times be (i) a Registrar, (ii) a Paying Agent; (iii) a Paying Agent and a Transfer Agent having specified offices in at least two major European cities approved by the Trustee, including London, so long as the Notes are listed on the London Stock Exchange; and (iv) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Union Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any such termination or appointment and of any change in the specified offices of the Agents will be published in accordance with Condition 15 below.

In acting under the Paying Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer, the Guarantor and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

9. Taxation

All payments of principal and interest in respect of the Notes (including payments by the Guarantor under the Guarantee and any payments by the Issuer or Guarantor under the Trust Deed or the Paying Agency Agreement) shall be made free and clear of, and without deduction or withholding

for, any taxes, duties, assessments, or governmental charges of what ever nature (each, a “Tax” and, collectively, “Taxes”) imposed, levied, collected, withheld or assessed by or within The Netherlands or the Republic of Kazakhstan, or any other jurisdiction from or through which payment is made, or, in any case, any political subdivision or any authority thereof or therein having power to tax (each, a “Taxing Jurisdiction”), unless such withholding or deduction is required by law. In such event, the Issuer or (as the case may be) the Guarantor will, subject to certain exceptions and limitations set out below, pay such additional amounts (the “Additional Amounts”) to the holder of any Note as may be necessary in order that every net payment of the principal of and interest on such Note, after withholding or deduction for or on account of any such Taxes upon or as a result of such payment, will not be less than the amount such holder would have received without such withholding or deduction. Notwithstanding the foregoing, Additional Amounts shall not be payable in respect of any Note:

- (a) to a holder, or to a third party on behalf of a holder, if such holder is liable for such Taxes in respect of such Note by reason of having some connection with the relevant Taxing Jurisdiction, other than the mere holding of such Note;
- (b) if the Note Certificate representing such Note is surrendered for payment more than 30 days after the Relevant Date, except to the extent that the holder would have been entitled to such Additional Amounts on surrender of such Note Certificate for payment on the last day of such period of 30 days;
- (c) if the Note Certificate representing such Note is surrendered for payment and where such withholding or deduction is imposed pursuant to Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) to a holder, or to a third party on behalf of a holder, who would have been able to avoid such withholding or deduction by presenting the Note Certificate representing such Note to another Paying Agent in a member state of the European Union.

In these Conditions, “Relevant Date” means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in New York City by the Principal Paying Agent or the Trustee on or prior to such date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

In addition, the Issuer and the Guarantor will indemnify and hold harmless each holder of a Note (subject to the exceptions set out above) and will, upon written request of each holder (subject to the exceptions set out above) and provided that reasonable supporting documentation is provided, reimburse each such holder for the amount of any Taxes levied or imposed by any relevant taxing authority and paid by the holder as a result of payments made in respect of the Notes hereunder or under the Guarantee, the Trust Deed or the Paying Agency Agreement, so that the net amount received by such holder after such reimbursement would not be less than the net amount the holder would have received if such Taxes would not have been imposed or levied. Any payment made pursuant to this paragraph shall be considered an Additional Amount.

The Issuer and the Guarantor, as the case may be, will pay any stamp, administrative, court, documentary, excise or property Taxes arising in a Taxing Jurisdiction in connection with the Notes or the Guarantee and will indemnify a holder for any such Taxes paid by the holder.

If, at any time, the Issuer or the Guarantor is required by law to make any deduction or withholding from any sum payable by it in respect of the Notes hereunder (or under the Guarantee, the Trust Deed or the Paying Agency Agreement) (or if thereafter there is any change in the rates at which or the manner in which such deductions or withholdings are calculated), the Issuer or, as the case may be, the Guarantor shall promptly notify the Trustee in writing, and shall deliver to the Trustee, within 30 days after it has made such payment to the applicable authority, an original receipt (or a certified copy thereof) issued by such authority evidencing the payment to such authority of all amounts so required to be deducted or withheld in respect of each Note.

If the Issuer or the Guarantor becomes generally subject at any time to any Taxing Jurisdiction other than or in addition to The Netherlands or, in the case of the Guarantor, the Republic of Kazakhstan, references in these Conditions to The Netherlands or, as the case maybe, the Republic of Kazakhstan shall be read and construed as a reference to The Netherlands and/or the Republic of Kazakhstan and/or such other jurisdiction.

Any reference in these Conditions to principal and/or interest in respect of the Notes shall be deemed to include any Additional Amounts which may be payable under this Condition 9.

10. Events of Default

(a) *Events of Default; Acceleration*

The Trustee at its discretion may, and if so requested in writing by the holders of at least 20 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or secured to its satisfaction) shall, give notice to the Issuer and the Guarantor that the Notes are and they shall immediately (and, in the case of an event of the type described in paragraph (v) below, without any requirement of notice) become due and repayable at their principal amount together with accrued interest if any of the following events (each, an “Event of Default”) occurs:

- (i) *Non-payment*: the Issuer fails to pay the principal of any of the Notes when the same becomes due and payable either at maturity, upon redemption, by declaration or otherwise; the Issuer fails to purchase any Notes when required to do so pursuant to Condition 7(c); or the Issuer is in default with respect to the payment of interest or Additional Amounts on any of the Notes and such default in respect of interest or Additional Amounts continues for a period of five days; or
- (ii) *Breach of Other Obligations*: the Issuer or the Guarantor is in default in the performance, or is otherwise in breach, of any warranty, covenant, obligation, undertaking or other agreement under the Notes, the Guarantee, the Trust Deed or the Paying Agency Agreement (other than a default or breach elsewhere specifically dealt with in this Condition 10) and such default or breach is incapable of remedy or, if (in the opinion of the Trustee) such default or breach is capable of remedy, it is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine) after notice thereof has been given to the Issuer or the Guarantor, as the case may be, by the Trustee; or
- (iii) *Cross-default*: (A) any Financial Indebtedness of the Issuer or any Subsidiary of the Issuer or of the Guarantor or any Subsidiary of the Guarantor (1) becomes due and payable prior to the due date for payment thereof by reason of any default by the Issuer or any such of its Subsidiaries or the Guarantor or any of its Subsidiaries, as the case may be, or (2) is not repaid at maturity as extended by the period of grace, if any, applicable thereto or (B) any Indebtedness Guarantee given by the Issuer or any Subsidiary of the Issuer or by the Guarantor or any Subsidiary of a Guarantor in respect of Financial Indebtedness of any other Person is not honoured when due and called, and non-payment in respect of such Indebtedness Guarantee is not remedied within 30 days; provided that the aggregate principal amount of such Financial Indebtedness referred to in (A) and (B) exceeds U.S.\$10,000,000 (or its equivalent in other currencies); or
- (iv) *Judgments or Orders*: one or more judgment(s) or order(s) from which no further appeal or judicial or arbitral review is permissible under applicable law for the payment of an amount in excess of U.S.\$10,000,000 (or its equivalent in any other currency or currencies), whether individually or in the aggregate, is rendered against the Issuer or any Subsidiary of the Issuer or the Guarantor or any Material Subsidiary of a Guarantor and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment, which event in any such case is, in the case of any Subsidiary of the Issuer or any Material Subsidiary of a Guarantor materially prejudicial to the interests of the Noteholders; or
- (v) *Bankruptcy*: (A) any Person shall have instituted a proceeding or entered a decree or order for the appointment of a receiver, manager, administrator, liquidator or rehabilitation manager in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar arrangements involving the Issuer or any Subsidiary of the Issuer or the Guarantor or any Material Subsidiary of the Guarantor or all or substantially all of their respective assets and such proceeding, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed for a period of 60 days; or (B) the Issuer or any Subsidiary of the Issuer or the Guarantor or any Material Subsidiary of the Guarantor shall institute proceedings under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect to be placed into rehabilitation or adjudicated a bankrupt or shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it or shall file a petition

or answer or consent seeking reorganisation under any such law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, manager, administrator, liquidator, rehabilitation manager or trustee or assignee in bankruptcy or liquidation of the Issuer or any Subsidiary of the Issuer or the Guarantor or any Material Subsidiary of a Guarantor, as the case may be, or in respect of their respective assets, or shall make an assignment for the benefit of its creditors or shall otherwise be unable or admit its inability to pay its debts generally as they become due or the Issuer or the Guarantor or any Material Subsidiary of a Guarantor commences proceedings with a view to the general adjustment of its Indebtedness, which event in any such case is, in the case of any Subsidiary of the Issuer or any Material Subsidiary of a Guarantor materially prejudicial to the interests of the Noteholders; or

- (vi) *Substantial Change in Business*: the Issuer or any Subsidiary of the Issuer or the Guarantor or any Material Subsidiary of a Guarantor makes or threatens to make any substantial change in the principal nature of the business, as presently conducted, of the Issuer or the Guarantor and its Subsidiaries taken as a whole, which is materially prejudicial to the interests of the Noteholders; or
- (vii) *Maintenance of Business*: the Issuer or the Guarantor fails to maintain in effect its corporate existence or fails to take any action required of it under applicable laws and regulations in The Netherlands or the Republic of Kazakhstan, as the case may be, or other applicable laws to maintain any material rights, privileges, titles to assets, franchises or the like necessary or desirable in the normal conduct of its business, activities or operations and such failure is incapable of remedy or if (in the opinion of the Trustee) such failure is capable of remedy, it is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine) after notice thereof has been given to the Issuer or the Guarantor by the Trustee; or
- (viii) *Material Compliance with Applicable Laws*: the Issuer or the Guarantor fails to comply in any material respect with any applicable laws or regulations (including any foreign exchange rules or regulations) of any governmental or other regulatory authority for any purpose to enable it lawfully to exercise its rights or perform or comply with its obligations under the Notes, the Guarantee, the Trust Deed or the Paying Agency Agreement or to ensure that those obligations are legally binding and enforceable or that all necessary agreements or other documents are entered into and that all necessary consents and approvals of, and registrations and filings with, any such authority in connection therewith are obtained and maintained in full force and effect, which is materially prejudicial to the interests of the Noteholders; or
- (ix) *Failure to Obtain Consents, Etc.*: any act, Condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, license, order, recording or registration) required to be done, performed or to have happened in order (i) to enable the Issuer or the Guarantor, as the case may be, lawfully to enter into, exercise its rights and perform its obligations under the Notes, the Guarantee, the Trust Deed and the Paying Agency Agreement; (ii) to ensure that those obligations are legally binding and enforceable in accordance with their terms; and (iii) to make the Notes and the Guarantee admissible in the courts of The Netherlands or the courts of the Republic of Kazakhstan has not been done, performed or has not happened; or
- (x) *Invalidity or Unenforceability*: (A) the validity of the Notes, the Guarantee, the Trust Deed or the Paying Agency Agreement is contested by the Issuer or the Guarantor, or the Issuer or the Guarantor shall deny any of its obligations under the Notes, the Guarantee, the Trust Deed or the Paying Agency Agreement (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise); or (B) it is or becomes unlawful for the Issuer or the Guarantor to perform or comply with all or any of its obligations set out in the Notes, the Guarantee, the Trust Deed or the Paying Agency Agreement; or (C) all or any of its obligations set out in the Notes, the Guarantee, the Trust Deed or the Paying Agency Agreement shall be or become unenforceable or invalid; or
- (xi) *Enforcement of Security Interest*: any Security Interest, present or future, created or assumed by the Issuer or any of its Subsidiaries or the Guarantor or any Material Subsidiary of a Guarantor becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person), which is materially prejudicial to the interests of the Noteholders; or

- (xii) *Government Intervention*: (A) all or any substantial part of the undertaking, assets and revenue of the Issuer or any of its Subsidiaries or the Guarantor or any Material Subsidiary of the Guarantor is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government or (B) the Issuer, any such Subsidiary of the Issuer, the Guarantor or any Material Subsidiary of the Guarantor is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets or revenue and such event is materially prejudicial to the interests of the Noteholders; or
 - (xiii) *Breach of Concession Agreement*: the Guarantor shall default in the performance, or otherwise be in breach, of any warranty, covenant, obligation or undertaking under the Concession Agreement and such default or breach is incapable of remedy or, if (in the opinion of the Trustee) such default or breach is capable of remedy, it is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine) after notice thereof is given to the Guarantor by the Trustee, with a copy to the Issuer, and in each case, such occurrence is materially prejudicial to the interests of the Noteholders; or
 - (xiv) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of paragraphs (iv) and (v) above.
- (b) *Definition of Material Subsidiary*
- “Material Subsidiary” means, at any given time, any Subsidiary of the Guarantor whose gross assets or gross revenue or whose pre-taxation profits attributable to the Guarantor (having regard to its direct and/or indirect beneficial interest in the shares, or the like, of that Subsidiary) represent at least 5 per cent. of the consolidated gross assets, consolidated gross revenue or, as the case may be, the pre-taxation profits of the Guarantor and its consolidated Subsidiaries and, for these purposes:
- (i) the gross assets, gross revenue and net profit after taxes of such Subsidiary shall be determined by reference to its then most recent audited financial statements (or, if none, its then most recent management accounts); and
 - (ii) the consolidated gross assets, consolidated gross revenue and net profit after taxes of the Guarantor and its consolidated Subsidiaries shall be determined by reference to its then most recent audited consolidated financial statements.

11. Warranties

Each of the Issuer and the Guarantor hereby certifies and warrants that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of each Note and the Guarantee, as applicable, and to constitute the same the legal, valid and binding obligations of the Issuer and the Guarantor enforceable in accordance with their terms, if any, have been done and performed and have happened in due compliance with all applicable laws.

12. Prescription

Claims in respect of principal and interest will become void unless made within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 9).

13. Replacement of Note Certificates

If any Note Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Transfer Agent subject to all applicable laws and stock exchange requirements (if applicable), upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence, security and indemnity or otherwise as the Issuer and/or the Registrar may require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

14. Meetings of Noteholders, Amendment, Modification, Waiver and Substitution

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Conditions

or any provision of the Guarantee, the Trust Deed or the Paying Agency Agreement. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution shall be two or more Persons holding or representing a clear majority of the principal amount of the Notes for the time being outstanding, or at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes for the time being outstanding so held or represented, except that at any meeting the business of which includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes; (ii) to reduce or cancel the principal amount of, or interest on, the Notes; (iii) to change the currency of payment of the Notes; (iv) to modify or cancel the Guarantee; (v) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution; or (vi) to modify the percentage required to pass any Extraordinary Resolution, the necessary quorum shall be two or more Persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., of the principal amount of the Notes for the time being outstanding. An Extraordinary Resolution duly passed at any meeting of Noteholders will be binding on all Noteholders, whether or not they are present at the meeting.

(b) *Modification and Waiver*

The Trustee may agree, without the consent of the Noteholders, to (i) any modification of any provision of the Notes (including these Conditions), the Guarantee, the Trust Deed or the Paying Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error in the opinion of the Trustee; (ii) any other modification and any waiver or authorisation of any breach or proposed breach, of any provision of the Notes (including these Conditions), the Guarantee, the Trust Deed or the Paying Agency Agreement which is not (in the opinion of the Trustee) materially prejudicial to the interests of the Noteholders. Any such modification, waiver or authorisation shall be binding on the Noteholders and, if the Trustee so requires, will be notified to the Noteholders as soon as practicable thereafter.

(c) *Entitlement of the Trustee*

In connection with the exercise of its functions (including but not limited to those referred to in this Condition 14), the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer or the Guarantor, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

(d) *Substitution*

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed, the execution of such other documents and such other conditions as the Trustee may require, but without the consent of the Noteholders, to the substitution of the Issuer's successor in business or of the Guarantor or its successor in business or any subsidiary of the Guarantor or its successor in business in place of the Issuer or Guarantor, or of any previous substituted company, as principal debtor or Guarantor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

In connection with the listing of the Notes on the London Stock Exchange, the Issuer and the Guarantor have agreed that, so long as any of the Notes are listed on the London Stock Exchange, in the event of any substitution of another entity in place of the Issuer, a supplement to the Prospectus or a new Prospectus setting forth relevant information regarding the substitute Issuer and any corresponding changes in these Conditions shall be prepared and submitted to the London Stock Exchange.

15. Notices

(a) *To Noteholders*

Notices to Noteholders will be deemed to be validly given if sent by first class mail (airmail if overseas) to them at their respective addresses as recorded in the Register and will be deemed to

have been validly given on the fourth Business Day after the date of such mailing. Notices will also be published, so long as the Notes are listed on the London Stock Exchange and the rules of the London Stock Exchange so require, in a leading newspaper having general circulation in London (which is expected to be the Financial Times) or, if in the opinion of the Trustee such publication is not practicable, in an English language newspaper having general circulation in Europe, and each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made.

So long as any of the Notes are represented by the Unrestricted Global Note, notices required to be published in the Financial Times may be given by delivery of the relevant notice to the Euroclear Operator and Clearstream, Luxembourg for communication by them to the relevant accountholders, provided that so long as the Notes are listed on the London Stock Exchange and the rules of the London Stock Exchange so require, publication also will be made in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times). So long as any of the Notes are represented by the Restricted Global Note, notices required to be published in the Financial Times may be given by delivery of the relevant notice to DTC for communication to the relevant accountholders, provided that so long as the Notes are listed on the London Stock Exchange and the rules of the London Stock Exchange so require, publication also will be made in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times).

(b) *To the Issuer and the Guarantor*

Notices to the Issuer or the Guarantor will be deemed to be validly given if delivered to the Guarantor at 20 Kabanbay Batyr Avenue, Astana, 473000, Kazakhstan, Attention: Mr. Dair Kuserov, Head of Corporate Finance Department and Ms. Dinara Umarova, Deputy Head of Treasury Department, and a copy to the Issuer at Schouwburgplein 30-34 3012 CL, Rotterdam, The Netherlands, Attention: Managing Director and will, be deemed to have been validly given at the opening of business on the next day on which the principal offices of the Issuer and/or the Guarantor, as applicable, are open for business.

(c) *To the Trustee, the Registrar and the Agents*

Notices to the Trustee, the Registrar or any Agent will be deemed to have been validly given if delivered to the respective specified office, for the time being, of the Trustee, the Registrar or the relevant Agent, as the case may be, and will be validly given on the next day on which such office is open for business.

16. Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further securities having the same terms and conditions as the Notes in all respects (except for the issue price, issue date and the amount and date of the first payment of interest on them) and so that such further issues shall be consolidated and form a single series with the outstanding Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any such further securities shall be constituted by a deed supplemental to the Trust Deed.

17. Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor(s) as it may think fit to enforce the terms of the Notes, the Guarantee, the Trust Deed and the Paying Agency Agreement, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 20 per cent. in principal amount of the Notes outstanding and (b) it shall have been indemnified and/or secured to its satisfaction. No Noteholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

18. Indemnification of the Trustee and the Agents

The Trust Deed contains provisions for the indemnification of the Trustee and the Agents and for their relief from responsibility. The Trustee and the Agents are entitled to enter into business

transactions with the Issuer, the Guarantor and any entity related to the Issuer or the Guarantor without accounting for any profit. Neither the Trustee nor any Agent is responsible for the validity, sufficiency or enforceability of the Notes, the Guarantee, the Trust Deed or the Paying Agency Agreement nor obliged to take any action unless indemnified to its satisfaction. The Trustee and the Agents are also entitled to be paid their costs and expenses in priority to the claims of the Noteholders. The Trust Deed provides, *inter alia*, that the Trustee may act on the opinion or advice of or a certificate or any information obtained from any lawyer, banker, valuer, surveyor, broker, auctioneer, accountant, auditor or other expert, notwithstanding that such opinion or advice contains a limitation on liability or, in the case of the auditors, disclaims all liability. The Trust Deed provides for the Trustee to take action on behalf of the Noteholders in certain situations, but only if the Trustee is indemnified and/or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and accordingly in such circumstances the Trustee will be unable to take action, notwithstanding the provision of any indemnity to it, and it will be for the Noteholders to take action directly.

19. Contracts (Rights of Third Parties) Act 1999

No Person shall have any right to enforce any term or Condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

20. Governing Law and Jurisdiction; Arbitration

(a) *Governing Law*

The Notes, the Guarantee, the Trust Deed and the Paying Agency Agreement are governed by, and shall be construed in accordance with, the laws of England.

(b) *Jurisdiction*

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes and accordingly any legal action or proceedings arising out of or in connection with the Notes (“Proceedings”) may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed irrevocably submitted to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This Condition 20(b) is for the benefit of the Noteholders and the Trustee and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude any of the Noteholders or the Trustee from taking Proceedings in any other jurisdiction (whether concurrently or not).

(c) *Agent for Service of Process*

Each of the Issuer and the Guarantor has appointed Law Debenture Corporate Services Limited, currently located at Fifth Floor, 100 Wood Street, London EC2V 7EX, England (the “Process Agent”) as its authorised agent for service of process in England. Service upon the Process Agent shall be deemed valid service upon each of the Issuer and the Guarantor whether or not the process is forwarded to or received by the Issuer or the Guarantor. If for any reason the Process Agent shall cease to be able to act as agent for service of process or to have an address in England, the Issuer and the Guarantor shall (i) notify the Trustee and (ii) forthwith appoint a new agent for service of process in England and deliver to the Trustee a copy of the new agent’s written acceptance of that appointment within 10 days. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) *Waiver of Immunity*

Each of the Issuer and the Guarantor has irrevocably agreed that, should any Proceedings be taken anywhere (whether for an injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) in relation to those Proceedings (including without limitation, immunity from the jurisdiction of any court or tribunal, suit, service of process, injunctive or other interim relief, any order for specific performance, any order for recovery of land, any attachment (whether in aid of execution, before judgment or otherwise) of its assets, any process for execution of any award or judgment or other legal process) shall be claimed by it or on its behalf or with respect to its assets, any such immunity being irrevocably waived. Each of the Issuer and the Guarantor has irrevocably agreed that it and

its assets are, and shall be, subject to such Proceedings, attachment or execution in respect of its obligations pursuant to the Notes.

(e) *Consent to Enforcement, Etc.*

Each of the Issuer and the Guarantor has consented generally in respect of any Proceedings (or arbitration in accordance with Condition 20(f)) to the giving of any relief or the issue of any process in connection with such Proceedings or arbitration including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment or award which may be made or given in such Proceedings or arbitration.

(f) *Submission to Arbitration*

Notwithstanding Condition 20(b), the Issuer and the Guarantor agree that the Trustee (or, if the Trustee, having become bound to commence proceedings fails to do so, a Noteholder) may, by written notice to the Issuer and the Guarantor, elect to refer any claim, dispute or difference of whatever nature arising under, out of or in connection with this Agreement (including a claim, dispute or difference regarding the existence, termination or validity of this Agreement) (a "Dispute") to, and such Dispute to be finally settled by, arbitration in accordance with the Rules of the London Court of International Arbitration ("LCIA") (the "Rules") as at present in force and as modified by this paragraph, which Rules shall be deemed incorporated in this paragraph. The number of arbitrators shall be three. The parties may nominate and the LCIA Court may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The seat of arbitration shall be London, England and the language of arbitration shall be English. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

If the Issuer is represented by an attorney or attorneys in connection with the signing and/or execution and/or delivery of any Note Certificate evidencing the Notes or any agreement or document referred to in or made pursuant to these Conditions and the relevant power or powers of attorney is or are expressed to be governed by the laws of The Netherlands, it is hereby expressly acknowledged and accepted by the other parties hereto that such laws shall govern the existence and extent of such attorney's or attorneys' authority and the effects of the exercise thereof.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Global Notes contain provisions which apply to the Notes in respect of which the Global Notes are issued, some of which modify the effect of the Conditions set out in this Prospectus. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

1. Meetings

The registered holder of each Global Note will be treated as being two persons for the purpose of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each US\$1,000 principal amount of Notes for which the Global Notes are issued. The Trustee may allow a person with an interest in Notes in respect of which a Global Note has been issued to attend and speak at a meeting of Noteholders on appropriate proof of his identity and interest.

2. Cancellation

Cancellation of any Note following its redemption or purchase by the Issuer will be effected by a reduction in the principal amount of the Notes in the register of Noteholders.

3. Payment

Payments of principal and interest in respect of Notes represented by a Global Note will be made without presentation or if no further payment is to be made in respect of the Notes against presentation and surrender of such Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose.

4. Notices

So long as the Notes are represented by a Global Note and such Global Note is held on behalf of DTC, or any successor depositary, notices to Noteholders may be given by delivery of the relevant notice to DTC or any successor depositary, for communication by it to entitled accountholders in substitution for notification as required by the Conditions, provided that, for so long as the Notes are listed on the London Stock Exchange and the rules of the London Stock Exchange so require, a copy of such notice shall also be delivered to the London Stock Exchange and published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*).

5. Registration of title

Certificates in definitive form for individual holders of Notes will not be issued in exchange for interests in the Notes in respect of which Global Notes are issued, except in the following circumstances:

- (a) DTC or any successor depositary on behalf of which the Notes evidenced by the Restricted Global Note or the Unrestricted Note, as the case may be, may be held notifies the Issuer and the Guarantor that it is no longer willing or able to discharge its responsibilities as depositary with respect to the Notes, ceases to be a clearing agency registered under the Exchange Act or is at any time no longer eligible to act as such and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC or such successor depositary; or
- (b) in the case of the Unrestricted Global Note, either Euroclear or Clearstream, Luxembourg or any successor depositary on behalf of which the Notes evidenced by the Unrestricted Global Note may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or other) or announces an intention permanently to cease business or does in fact do so; or
- (c) an Event of Default occurs as set out in Condition 10 (*Events of Default*); or
- (d) if instructions have been given for the transfer of an interest in the Notes evidenced by a Global Note to a person who would otherwise take delivery thereof in the form on an interest in the Notes evidenced by the other Global Note where such other Global Note has been exchanged for definitive Notes.

6. Transfers

Transfers of interests in the Notes will be effected through the records of DTC and its direct and indirect participants including Euroclear and Clearstream, Luxembourg.

7. Put Option

For so long as the Notes are represented by an Unrestricted Global Note or a Restricted Global Note and such Unrestricted Global Note or Restricted Global Note is held on behalf of the common depository for DTC, the exercise of the option of the Noteholders provided in Condition 7(c) (*Purchase on Change of Control*) will be subject to the normal rules and operating procedures of DTC.

USE OF PROCEEDS

The net proceeds from the issue and sale of the Notes, which are expected to be US\$592,246,484, will be used by the Issuer to make a loan to ICA, which will, in turn, use the loan proceeds from the Issuer to repay the 2006 Bridge Facility (as defined herein) and for general corporate purposes, including for capital expenditures not fully funded by the 2006 Bridge Facility in relation to the CAC Pipeline Expansion Projects (as defined herein). The net proceeds from the 2006 Bridge Facility were primarily used by ICA for capital expenditures relating to the CAC Pipeline Expansion Projects. See “Risk Factors—Risks Relating to the Guarantor’s Operations—ABN AMRO Bank N.V. and BNP Paribas may have a conflict of interest” and “Management’s Discussion and Analysis of Results of Operations and Financial Condition—Liquidity and Capital Resources—Indebtedness”.

THE ISSUER

The Issuer, Intergas Finance B.V., is a Dutch company with its statutory seat in Rotterdam, The Netherlands. The Issuer was established on 14 September 2004 with an indefinite life for the purpose of raising funds for KTG Group and is registered with the Register of the Chamber of Commerce and Industries for Rotterdam under number 24366898.

Capitalisation of the Issuer

The following table sets out the total capitalisation, including shareholders' equity and long-term liabilities, of the Issuer as at 31 December 2006 and as adjusted to reflect the issue and sale of the Notes:

	As of 31 December 2006	
	Actual	As adjusted ⁽¹⁾
	(US\$)	(US\$)
Senior long-term liabilities ⁽²⁾	250,000,000	850,000,000
Total shareholders' equity	3,135,284	3,135,284
Total capitalisation and long-term liabilities	253,135,284	853,135,284

(1) Adjusted to reflect the issuance and sale of the Notes.

(2) US\$250,000,000 6.875 per cent. Notes due 2011 issued 4 November 2004 (the "2004 Bonds") and US\$600,000,000 6.375 per cent. Notes due 2017 to be issued on or about 14 May 2007.

As of its date of incorporation, the Issuer's authorised share capital was €90,000, consisting of 900 ordinary shares, each with a nominal value of € 100, of which 180 shares had been issued and fully paid at par as at such date. All of the issued and paid up capital of the Issuer is owned by KTG. On or about 4 November 2004, the Issuer's total paid-in capital was increased by US\$2,549,600 (the equivalent of €2 million on the payment date), by way of a payment of share premium by KTG.

As at 31 December 2006, the Issuer had short-term liabilities amounting to US\$2,751,564. Other than such amounts and the 2004 Bonds, the Issuer had no outstanding indebtedness, whether direct or indirect, present or future, actual or contingent, as at 31 December 2006.

Except as otherwise stated in this Prospectus, there has been no material change in the total capitalisation and long-term liabilities of the Issuer since 31 December 2006.

Business

As set forth in Article 2(a) of the Issuer's memorandum and articles of association, the Issuer was established for the purpose of providing financing to companies within KTG Group through bond issues, bank financings and other arrangements for the borrowing of monies. The Issuer may in the future enter into financial arrangements, other than the issuance of the Notes, for similar purposes.

The Issuer has no employees or subsidiaries.

Legal Proceedings

There are no legal, arbitral or other similar proceedings or investigations pending or, to the Issuer's knowledge, threatened, against or relating to the Issuer or its properties, assets or business, which have had or are expected to have, individually or in the aggregate, a material adverse effect on the Issuer's business, financial condition or prospects or on its ability to comply with its obligations under or relating to the Notes or the Trust Deed. During the the preceding 12 months there have been no such proceedings which have had significant effects on the Issuer's financial position or profitability.

Financial Statements

In accordance with Dutch law, the Issuer is required to keep its books of accounts and accounting records and to publish statutory annual financial statements, which must be filed with the Register of the Chamber of Commerce and Industries for Rotterdam in accordance with accounting principles generally accepted in The Netherlands and in compliance with the financial reporting requirements included in Part 9 of Book 2 of The Netherlands Civil Code. The Issuer is not, however, required to, and does not intend to, produce interim financial statements. The financial statements of the Issuer as at and for the

years ended 31 December 2005 and 2006 were audited by Mazars Paardekooper Hoffman N.V., independent auditors to the Issuer.

As of the date of this Prospectus, the Issuer is a consolidated subsidiary of KTG, which will be included in KTG's financial statements.

Management

The Issuer has two managing directors: (i) Mr. Rustem Yershibayev, aged 33, who is Chief Financial Officer of KTG and has his business address at 20 Kabanbay Batyr Avenue, Astana, 473000, Republic of Kazakhstan; and (ii) Equity Trust Co. N.V., a company with limited liability incorporated in The Netherlands ("Equity Trust"), which has its registered office at Schouwburgplein 30-34, 3012 CL Rotterdam, The Netherlands. The directors of Equity Trust are F. van der Rhee, R.G.A. de Schutter and J.C.W. van Burg (each a managing director) and W.P. Ruoff, J. P. Everwijn and W.H. Kamphuijs (each a deputy director), each jointly authorised to represent Equity Trust as a managing director of the Issuer. Equity Trust may also be represented by each of its (managing or deputy) directors and each of its registered proxyholders jointly.

The only potential conflict of interest between any duties of the Issuer's managing directors towards the Issuer and their private interests and/or other duties is, as stated above, that Mr. Yershibayev is a Director of the Issuer and Chief Financial Officer of KTG. Consequently, there may be situations where it is not possible for Mr. Yershibayev to simultaneously act in the best interests of the Issuer and the Guarantor. Under Dutch corporate law, each managing director who has a conflict of interest with a company in relation to a certain transaction must disclose such conflict to the general meeting of shareholders of the company which has the power in such circumstances to appoint an attorney to replace the managing board for the purpose of representing the company.

Except as disclosed in the first paragraph of this sub-section, there are no potential conflicts of interest between any duties of the Issuer's Directors towards the Issuer and their private interests and/or other duties.

Administrative services are provided to the Issuer by Equity Trust.

Material contracts

There are no contracts which have been entered into otherwise than in the ordinary course of business by the Issuer, which contain provisions under which the Issuer has any obligation or entitlement which is material to the Notes as at the date of this document.

General Information

The registered office and business address of the Issuer is Schouwburgplein 30-34, 3012 CL Rotterdam, The Netherlands and its telephone number is +31 10 224 53 33.

The Issuer has obtained all necessary consents and authorisations in The Netherlands in connection with the issuance of the Notes and the performance of its obligations in relation thereto.

The fiscal year of the Issuer ends on 31 December.

CAPITALISATION OF ICA

The following table sets out the current finance liabilities and total capitalisation, including shareholders' equity and long-term liabilities, of ICA as at 31 December 2006 and as adjusted to reflect the loan of the net proceeds from the issue and sale of the Notes made by the Issuer to ICA:

	As at 31 December 2006			
	Actual		As adjusted ⁽¹⁾	
	<i>(US\$ in millions)⁽²⁾</i>	<i>(KZT in billions)</i>	<i>(US\$ in millions)⁽²⁾</i>	<i>(KZT in billions)</i>
Short-term bank loans ⁽³⁾	7.515	0.954	7.515	0.954
Current finance liabilities	7.515	0.954	7.515	0.954
Long-term bank loans.....	294.946	37.458	294.946	37.458
Long-term loan due to related party	246.741	31.336	838.987	106.551
Non-current (long-term) liabilities⁽⁴⁾	541.687	68.794	1,133.933	144.009
Share capital.....	17.982	2.284	17.982	2.284
Retained profits	663.280	84.237	663.280	84.237
Total shareholders' equity	681.262	86.521	681.262	86.521
Total capitalisation and long-term liabilities	1,222.949	155.315	1,815.195	230.530

- (1) Adjusted to reflect the loan of the net proceeds from the issue and sale of the Notes made by the Issuer to ICA.
- (2) U.S. dollar amounts have been translated from the Tenge amounts at the rate of KZT 127.00 = U.S. \$1.00, which is the rate reported by the NBK on 31 December 2006.
- (3) Short-term bank loans include interest payable of KZT 0.084 billion in respect of bank loans and interest payable of KZT 0.349 billion in respect of a long-term loan due to a related party.
- (4) Non-current (long-term) liabilities represent liabilities that fall due after one year and are not subordinated and include a long-term loan due to a related party, which represents the proceeds from the issue of the 2004 Bonds.

On 23 April 2007, the sole shareholder of ICA authorised the making of the Guarantee and the assumption by ICA of the loan of the net proceeds from the issue and sale of the Notes.

In January 2007, ICA received an additional US\$6,289,127 from HSBC Bank plc under the HSBC Bank (Man Turbo) Facility. In January and April 2007, ICA received an additional US\$125,000,000 and US\$25,000,000, respectively, from ABN AMRO Bank N.V. and BNP Paribas under the 2006 Bridge Facility. During the period from 31 December 2006 to 8 May 2007, ICA received short-term loans in the total amount of US\$46,638,000, which were repaid during this same period. In April 2007, ICA paid interest of US\$8,687,375 to IFBV in respect of the long-term loan due to related party. See "Management's Discussion and Analysis of Results of Operations and Financial Condition—Liquidity and Capital Resources—Indebtedness". Except for these amounts, there have been no material changes in the current finance liabilities or share capital and long-term liabilities of ICA since 31 December 2006.

SELECTED FINANCIAL AND OPERATING DATA FOR ICA

The selected financial information presented below as at and for the years ended 31 December 2004, 2005 and 2006 has been derived from, should be read in conjunction with, and is qualified in its entirety by, the Financial Statements of ICA contained elsewhere in this Prospectus.

The Financial Statements of ICA have been prepared in accordance with IFRS and are presented in Tenge. The Financial Statements of ICA were audited by Ernst & Young, whose audit report for the respective years is included on page F-23 of this Prospectus. Prospective investors should read the selected financial information in conjunction with the information contained in “Risk Factors”, “Capitalisation of ICA”, “Management’s Discussion and Analysis of Results of Operations and Financial Condition”, “Description of ICA”, the Financial Statements of ICA and the other financial data appearing elsewhere in this Prospectus. See “Index to Financial Statements”.

Balance Sheet Data

	As of 31 December			
	2004	2005	2006	
	(KZT in millions)	(KZT in millions)	(KZT in millions)	(US\$ in millions) ⁽¹⁾
ASSETS				
Non-current assets:				
Intangible assets, net.....	1,415.3	1,845.1	1,939.4	15.3
Property, plant and equipment, net	43,433.1	65,512.4	98,368.9	774.6
Financial support given to related parties, long-term portion	14,526.2	9,204.9	7,715.5	60.8
Long-term accounts receivable	423.9	8.3	7.9	0.1
VAT receivable, long-term portion ⁽²⁾	3,390.0	5,897.0	–	–
Advances paid.....	–	2,067.5	26,068.4	205.3
Total non-current assets	63,188.5	84,535.2	134,100.0	1,055.9
Current assets:				
Inventories, net.....	6,026.3	5,247.7	4,785.4	37.7
Trade and other receivables, net	6,242.3	6,930.1	8,048.2	63.4
Financial support given to related parties, short-term portion	8,452.0	1,224.5	11,059.9	87.1
Advances paid, net.....	553.4	129.6	370.0	2.9
Indirect taxes recoverable ⁽³⁾	8,917.4	3,541.3	10,113.2	79.6
Prepayment for corporate income tax	811.4	2,043.8	1,007.7	7.9
Bank deposits.....	2,900.0	11,791.3	–	–
Cash and cash equivalents ⁽⁴⁾	1,051.5	2,858.0	4,212.3	33.2
Total current assets	34,954.4	33,766.3	39,596.6	311.8
Non-current assets held for sale	–	97.3	–	–
TOTAL ASSETS	98,142.9	118,398.8	173,696.6	1,367.7
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity:				
Share capital.....	2,283.8	2,283.8	2,283.8	18.0
Reserve capital	115.7	115.7	–	–
Retained earnings.....	55,556.1	65,415.3	84,236.5	663.3
Total shareholders' equity	57,955.5	67,814.7	86,520.3	681.3
Long-term liabilities	32,170.6	37,140.3	72,949.7	574.4
Current liabilities	8,016.7	13,443.8	14,226.6	112.0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	98,142.9	118,398.8	173,696.6	1,367.7

(1) 2006 U.S. dollar amounts were translated from Tenge at the closing rate of exchange of KZT 127.00 = US\$1.00 which was the closing rate of exchange as at 31 December 2006 on the KASE as reported by the NBK.

(2) In July 2001, pursuant to the intergovernmental agreement concluded between Russia and Kazakhstan, the VAT rate applicable to international transit to Russia was reduced from 20 per cent. to 0 per cent. Accordingly, the VAT receivable, long-term portion, includes an aggregate amount of KZT 15.1 billion recovered by ICA in 2005 and 2006 as a settlement of VAT from the state budget for the period from 2002 to 2005.

(3) Indirect taxes recoverable include short-term VAT recoverable as a result of the intergovernmental agreement described in Note 2 above. VAT recoverable is classified as short-term if it was recovered within the current year.

(4) Cash and cash equivalents include available cash and investments readily available for conversion into cash within a three-month period. As at 31 December 2006, there are no limits for withdrawal of cash and cash equivalents.

Income Statement Data

	For the year ended 31 December			
	2004	2005	2006	
	(KZT in millions)	(KZT in millions)	(KZT in millions)	(US\$ in millions) ⁽¹⁾
Revenues:				
Revenues from gas transportation.....	48,810.2	55,219.1	81,425.7	645.8
Revenues from sales of gas	29.2	244.7	1,848.5	14.7
Revenues from technical services.....	41.6	81.5	114.3	0.9
Revenues from gas storage.....	38.5	35.7	40.7	0.3
Total revenues	48,919.4	55,581.0	83,429.1	661.7
Cost of sales	(22,994.5)	(25,956.9)	(39,167.0)	(310.6)
Gross profit	25,925.0	29,624.0	44,262.2	351.0
Administrative expenses ⁽²⁾	(6,989.9)	(9,971.3)	(15,440.1)	(122.5)
Other operating expenses	(665.8)	(1,551.4)	(292.8)	(2.3)
Other operating income	547.9	289.7	78.8	0.6
Profit from operating activities	18,817.2	18,391.1	28,608.1	226.9
Foreign exchange gain/(loss), net ⁽³⁾	1,324.3	(582.0)	2,039.2	16.2
Finance cost	(2,817.1)	(4,681.0)	(3,560.3)	(28.2)
Finance income.....	467.4	1,358.7	1,515.0	12.0
Profit before income tax	17,791.7	14,486.9	28,601.9	226.8
Income tax expense ⁽⁴⁾	(5,518.0)	(4,626.5)	(9,896.0)	(78.5)
NET PROFIT AFTER TAX	12,273.7	9,860.4	18,705.9	148.4

(1) 2006 U.S. dollar amounts were translated from Tenge at the average rate of exchange of KZT 126.09 = US\$1.00 which was the average daily closing rate of exchange on the KASE for the year ended 31 December 2006 as reported by the NBK.

(2) Administrative expenses include provisions for accounts receivable and inventory obsolescence.

(3) Foreign exchange gain/(loss), net includes foreign exchange gain less exchange loss.

(4) Income tax expense includes income tax plus deferred income tax liabilities less deferred tax assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion of the financial condition and results of operations of ICA should be read in conjunction with the Financial Statements of ICA (including the notes thereto) and with the information relating to the business of ICA included elsewhere in this Prospectus. The discussion includes forward-looking statements that reflect the current view of Management and involve risks and uncertainties. The actual results of ICA could differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in this Prospectus, particularly in "Risk Factors". Investors should read the whole of this Prospectus and not just rely upon summarised information.

Overview

ICA is principally engaged in the transportation of natural gas through a pipeline system that it operates under a Concession Agreement with Kazakhstan. Kazakhstan's pipeline system transports natural gas from Central Asia, mainly Turkmenistan and Uzbekistan, to Russia, and transports natural gas through Kazakhstan to and from gas fields in Western Russia and the Orenburg gas refinery plant in Southwestern Russia. ICA also uses the pipeline system to transport Kazakh gas for export and within Kazakhstan.

ICA generates revenues from fees it charges under contracts for the transportation of natural gas through its pipeline system; sales of natural gas to ICA related parties; the provision of technical services to third parties engaged in oil and gas production in Kazakhstan; and the storage of gas. Gazprom is ICA's single largest customer, accounting for 99.9 per cent. of ICA's international gas transit revenue and 89 per cent. of ICA's total revenue for the year ended 31 December 2006, 98.9 per cent. of ICA's international gas transit revenues and 89.2 per cent. of ICA's total revenue for the year ended 31 December 2005, and 98.2 per cent. of the international gas transit revenue and 89 per cent. of total revenue for the year ended 31 December 2004.

ICA generated revenues of KZT 83,429.1 million (US\$661.7 million) for the year ended 31 December 2006 and had assets of KZT 173,696.6 million (US\$1,367.7 million) as at 31 December 2006.

Factors Affecting Results of Operations

Key factors affecting ICA's results of operations are discussed below.

General State of the Economy of Kazakhstan

Substantially all of the respective operations of ICA are located in Kazakhstan. While the development of a market economy in Kazakhstan has been recognised internationally since the beginning of 2002, the Kazakhstan economy continues to display certain traits consistent with that of a market economy in transition. These characteristics have in the past included higher than normal inflation, lack of liquidity in the capital markets and the existence of currency controls, which have caused the national currency to be illiquid outside of Kazakhstan. The continued development and stability of the Kazakhstan economy will be significantly impacted by the Government's continued actions with regard to supervisory, legal and economic reforms.

In addition, the business, financial condition and results of operations and prospects of ICA will continue to be affected by political developments in Kazakhstan, such as the application of existing and future legislation and tax regulations and the evolving fiscal and regulatory environment in Kazakhstan, including current pending or future Governmental claims and demands, which could require adjustment to and restatement of the financial statements of ICA in order for those statements not to be misleading. See "Risk Factors—Risks Relating to Kazakhstan—Uncertainties relating to the evolution of the legislative and regulatory framework in Kazakhstan could have a material adverse effect on the Guarantor's operations".

Moreover, the operations of ICA's largest natural gas transportation customer, Gazprom, are centred principally around its transportation of natural gas from Uzbekistan and Turkmenistan to Russia and Europe. Accordingly, the financial condition and results of operations of ICA are dependent not only upon economic and political conditions prevailing in Kazakhstan, but also on the level of demand for natural gas in Russia and Europe and the ability of Uzbekistan, Turkmenistan and Kazakhstan to produce required volumes of natural gas to meet this demand. See "Risk Factors—Risks Relating to the Guarantor's Operations".

Gas Transportation Tariffs

International tariffs: Since 1 January 2006, under the Gazprom Contracts, tariffs for all international transit gas services provided to Gazprom, which in 2006 accounted for 89 per cent. of ICA's total revenues, have been fixed at US\$1.1 per 1,000 cubic metres of natural gas transported over 100 km of pipelines. These tariffs are applicable on all transit volumes under contract with Gazprom until 2010. See "Material Agreements—The Gazprom Contracts". ICA is currently in the process of negotiating a further tariff increase with Gazprom, which Management believes will be effective at the beginning of 2008.

Tariffs for the international transportation of natural gas are not subject to Government regulation. Historically, prior to 2005, international tariffs were fixed annually on a case-by-case basis pursuant to contracts with customers, mainly Gazprom.

The methodology followed by ICA to set tariffs for international transit is based on a widely used model, which provides that tariffs are generally a function of costs plus the average rate of return on fixed assets and expressed as a rate based on the volume of transported gas and the distance the natural gas is transported. When considering a return on fixed assets and investments, ICA takes into account its ongoing maintenance capital expenditures in order to ensure that it will be able to maintain the stable transit of all contracted international volumes of natural gas.

The following table sets forth, for the periods indicated, ICA's tariffs for the international transit and export of natural gas:

	For the year ended 31 December		
	2004	2005	2006
	<i>(US\$ per 1,000 m³ per 100 km)</i>		
Russian gas (transit)	0.90	0.90	1.10
Turkmen & Uzbek gas (transit)	0.68	0.68 - 0.76	1.10
Kazakh gas (export).....	0.76 - 0.9	0.76 - 0.9	1.10

Domestic tariffs: Tariffs for domestic transportation of natural gas are subject to regulation by the Anti-Monopoly Agency. Domestic transportation tariffs are proposed by ICA based on certain underlying cost assumptions and the application of a tariff coefficient. Both the tariff coefficient and the underlying cost assumptions must be approved by the Anti-Monopoly Agency. Once approved, such tariffs remain in effect, subject to ICA's right, at any time and from time to time, to request that the Anti-Monopoly Agency review and modify such tariffs. The Anti-Monopoly Agency also has the right to initiate a review of domestic transportation tariffs. ICA's domestic transportation tariffs are significantly impacted by social and political considerations and have historically been kept at artificially low levels. For domestic tariffs, the measuring unit does not have a distance factor, but is simply a factor of volume. Since the third quarter of 2001, domestic tariffs have remained fixed at KZT 420 per 1,000 cubic metres for business customers and KZT 171 per 1,000 cubic metres for domestic customers and utility companies.

Key Customer Contracts and Bilateral Agreements

A significant factor affecting ICA's revenues and costs is the volume of, and distance over which, natural gas is transported through the gas transportation system operated by ICA. The basic measuring unit, other than the price itself, in the pricing of international transit services is the number of cubic metres of gas transported per kilometre of pipeline. Volumes can be affected by increased production of natural gas by ICA's customers and by bilateral agreements between the governments of natural gas producing countries and countries that require greater supplies of natural gas. Distance is a factor of where gas is sourced by ICA's clients (principally Gazprom), which is to a large extent affected by Gazprom's contractual relationships with its natural gas suppliers, and the delivery destination, which, in turn, is affected by the strategic requirements of ICA's clients (principally Gazprom) based on consumption patterns in Russia and Europe.

Volumes are normally agreed by ICA with its customers on an annual basis. Because sales to Gazprom account for a significant portion of ICA's revenues, the terms of ICA's contracts with Gazprom have a significant effect on the predictability of gas transportation volumes. In November 2005, ICA and Gazprom entered into the Gazprom Contracts. One of the Gazprom Contracts, the Turkmen/Uzbek Gas Transit Contract, is a five-year contract pursuant to which volumes of transported Turkmen and Uzbek gas have been agreed until 2010 on a take-or-pay basis, with Gazprom agreeing to pay for at least 80 per cent. of the agreed gas transportation volumes, regardless of the amount actually transported.

The contract provides for the transportation of up to 55.7 bcm of natural gas in 2007, 55.2 bcm of natural gas in 2008, 55.2 bcm of natural gas in 2009 and 55.2 bcm of natural gas in 2010. The tariff is fixed at US\$1.1 per 1,000 cubic metres of natural gas transported over 100 km of pipelines until 2010. A second Gazprom Contract, the Russian Gas Transit Contract, covers transit of Russian natural gas through the Orenburg-Novoposkov Pipeline (as defined herein) in Northwest Kazakhstan. This contract provides for the transportation of up to 69.79 bcm of natural gas in 2007, with volumes for the years from 2008 to 2010 to be agreed on an annual basis. The Russian Gas Transit Contract does not contain a take-or-pay mechanism. The transportation tariff is set at US\$1.1 per 1,000 cubic metres of natural gas transported over 100 km of pipelines until 2010. See “Material Agreements—The Gazprom Contracts”.

Over the last three years, the volume of gas transported through ICA’s gas transportation system was 121.6 bcm for 2004, 129.9 bcm for 2005 and 121.9 bcm for 2006. The main factor for the decrease in transportation volumes in 2006 relative to 2005 was the lower volumes of transit Russian gas through the Orenburg-Noyoposkov Pipeline’s main pipeline due to redistribution of gas flows within Gazprom’s main pipeline network. However, volumes of Central Asian gas and Kazakh gas for export and domestic requirements increased year-on-year during the period from 2004 to 2006.

Another significant factor affecting ICA’s revenues and costs is the distance of the transportation. For example, although the current volume of Turkmen natural gas transported through the CAC Pipeline (as defined herein) is lower than the volume of Russian natural gas transported by ICA, revenues generated from Turkmen Gas through the CAC Pipeline (as defined in “Description of ICA—Pipelines”) are substantially higher than those related to the transportation of Russian natural gas via the Orenburg-Novoposkov Pipeline due to the longer transportation distances. Therefore, in spite of the decrease in volume from 2005 to 2006, there has been constant growth in the number of cubic metres per kilometre of pipeline transported by ICA from 2004 and 2006, according to Management’s calculations. For the year ended 31 December 2006, the transportation of Turkmen natural gas represented 32.0 per cent. of total natural gas transportation and 36.3 per cent. of international transit volumes of ICA, and the transportation of Russian natural gas represented 48.1 per cent. of total natural gas transportation and 54.5 per cent. of international transit volumes. However, due to the length of the CAC Pipeline, revenues from the Turkmen/Uzbek Gas Transit Contract accounted for 85 per cent. of ICA’s international natural gas transit revenue and 78 per cent. of total natural gas transit revenue in 2006, while the Russian Gas Transit Contract accounted for approximately 14 per cent. of ICA’s international natural gas transit revenue and 13 per cent. of total natural gas transit revenue in 2006.

Management believes that ICA’s revenues from the export of Kazakh-produced gas could increase significantly in the next four to five years if the planned expansion by certain oil and gas producers operating in Kazakhstan is successful. In particular, Kazakh gas production could increase significantly in the next four to five years, principally as a result of the commercial exploitation of the Kashagan oil field which was discovered in 2000 and is scheduled, according to public sources, to commence production in the next four years. The Kashagan oil field is operated by Eni S.p.A. (“Eni”), through a joint venture company called Agip Kazakhstan North Caspian Operating Company N.V., under a joint venture agreement among various corporate subsidiaries of Eni, Royal Dutch Shell plc (“Shell”), Total S.A., Exxon Mobil Corporation (“ExxonMobil”), ConocoPhillips, KMG and Inpex Corporation. Management also expects that ICA’s revenues from transportation of locally produced gas could increase in the next four to five years from the expected expansion of present gas production at the Tengiz oil field operated by TengizChevroil (“TCO”), a joint venture among Chevron Corporation (“Chevron”), ExxonMobil, Lukarco (a joint venture between OAO Lukoil (“Lukoil”) and Atlantic Richfield Company) and KMG and at the Karachaganak oil field operated by Karachaganak Petroleum Operating B.V. (“KPO”), a joint venture among corporate subsidiaries of BG Group plc, Eni, Chevron, and Lukoil. However, there can be no assurance that plans by these third parties to increase gas production in Kazakhstan will be successfully and timely implemented.

The main producers of Kazakh gas which is transported for export are independent oil and gas producers such as KPO, TCO and Tolkynneftegas. Contracts for transportation services with these producers are entered into on an annual basis with KazRosGas, a joint venture of KMG and Gazprom, and TCO. For domestic transportation of natural gas, ICA enters into annual contracts with affiliates such as KazTransGas Aimak JSC, Almatygas JSC and others. See “Description of ICA—Gas Transportation Volume and Revenue—Gas Transportation Volumes.”

Terms of the Concession Agreement

Prior to March 2006, when the Concession Agreement was amended, ICA was required to pay to the State 10 per cent. of its net profits until 2008, up to 33 per cent. of its net profits from that date until 2012, and thereafter, up to 40 per cent. of net profits until 2017. The Concession Agreement was amended in March 2006, to reduce the amounts required to be paid to the State by ICA, to a fixed amount of KZT 1.1 billion in each of 2006 and 2007, and KZT 2.1 billion in each subsequent year until 2017. ICA is also required to make certain investments of up to US\$30 million per year and not less than US\$450 million in the aggregate for the period from 1997 to 2012 (of which US\$650 million has been invested to date). The Concession Agreement is automatically renewable until 2017, with a ten-year extension to be agreed by the parties. The level of investment required during any further ten-year extension period is subject to negotiations between the parties. See “Material Agreements—The Concession Agreement”.

Exchange rates

The functional currency of ICA is determined as the currency of the primary economic environment in which it operates. The functional currency of ICA is the Kazakh Tenge.

Exchange differences resulting from transactions undertaken during the year and from the translation, as at the balance sheet at the end of the period, of the value of foreign currency-denominated assets and liabilities recorded on the balance sheet date at the beginning of the period are recognised in the income statement as “foreign exchange gains/(losses)”.

A significant part of ICA’s revenues is denominated in U.S. dollars and a significant part of its production costs are priced in Tenge. Therefore, an appreciation of the U.S. dollar relative to the Tenge increases ICA’s revenues when they are translated into Tenge, thereby increasing operating margins, while a depreciation tends to have the opposite effect. The average values of the Tenge relative to the U.S. dollar during the years ended 31 December 2004, 2005 and 2006, were 136.04, 132.88 and 126.09, respectively, according to statistics of the NBK.

Inflation

Because the majority of ICA’s production and operating costs are denominated in Tenge, inflation in Kazakhstan is a significant factor affecting ICA’s costs. For example, employee and contractor wages, consumable prices, and energy costs have been and are likely to continue to be particularly sensitive to monetary inflation in Kazakhstan. For the years ended 31 December 2004, 2005 and 2006, the inflation rate in Kazakhstan, according to the International Monetary Fund, was 6.9 per cent., 7.6 per cent. and 7.5 per cent., respectively.

Current Trading and Prospects

During the period 1 January 2007 through 31 March 2007, ICA transported 30.6 bcm of natural gas through its pipelines, representing a 9 per cent. decrease from volumes of 33.6 bcm transported during the same period in 2006. The reduction was due to lower volumes transported through the CAC Pipeline and other pipelines operated by ICA due to the decision by certain of ICA’s customers to enter into a swap transaction for Turkmen/Uzbek natural gas in the south in exchange for Russian gas in the north, rather than to transport the gas through ICA’s pipelines, as well as to a reduced gas supply from Turkmenistan and lower volumes transported by Gazprom through ICA’s pipelines as a result of repairs being conducted on Gazprom’s Russian pipeline. See “Risk Factors—Risks Relating to the Guarantor’s Operations— Risks associated with third party pipelines may adversely affect the Guarantor’s ability to increase transportation volumes”. Management believes a further significant contributing factor was an unusually warm winter in Russia, Ukraine and other end-user countries, and that the results for the first quarter of 2007 are not indicative of the volumes to be transported during the remainder of the year.

Explanation of Certain Income Statement Line Items

Revenue. ICA generates revenues from fees it charges to its customers under long-term contracts for the transportation of natural gas through the pipeline system that ICA operates; sales of natural gas to related parties; the provision of technical services to third parties engaged in the oil and gas industry in Kazakhstan; and the storage of gas. The following table sets forth a breakdown of ICA's revenues for the periods indicated.

	For the year ended 31 December		
	2004	2005	2006
	<i>(KZT in millions)</i>		
Transportation services:			
Central Asian gas (transit).....	32,878.4	38,951.8	63,781.0
Russian gas (transit)	10,682.6	10,637.1	10,538.4
Kazakh gas (to outside of the country).....	2,717.7	2,907.2	4,168.6
Kazakh gas (within the country).....	1,914.2	2,217.3	2,284.0
Kyrgyz gas (transit).....	578.9	505.8	653.7
Transportation of Uzbek gas (transit)	38.3	–	–
Total transportation revenues	48,810.2	55,219.1	81,425.7
Sales of gas.....	29.2	244.7	1,848.5
Technical services.....	41.6	81.5	114.3
Gas storage.....	38.5	35.7	40.7
Total revenues	48,919.4	55,581.0	83,429.1

Cost of sales. The following table sets forth a breakdown of ICA's cost of sales for the periods indicated.

	For the year ended 31 December		
	2004	2005	2006
	<i>(KZT in millions)</i>		
Fuel gas and gas losses ⁽¹⁾	7,242.2	8,883.1	14,920.4
Salaries and related costs ⁽²⁾	4,352.1	5,608.8	7,469.9
Depreciation and amortisation ⁽³⁾	2,121.0	2,708.0	6,108.1
Maintenance-third party services ⁽⁴⁾	887.2	1,255.8	2,303.3
Cost of gas sold ⁽⁵⁾	21.8	98.0	1,757.6
Repair expenses ⁽⁶⁾	2,645.8	2,790.7	1,411.1
Agreement expense ⁽⁷⁾	1,322.2	1,002.5	1,085.8
Communication expenses ⁽⁸⁾	925.6	795.6	787.8
Materials expenses ⁽⁹⁾	910.5	284.5	768.1
Security expenses ⁽¹⁰⁾	710.7	717.9	702.6
Insurance expenses ⁽¹¹⁾	609.6	247.1	147.5
Electric power ⁽¹²⁾	445.0	538.8	602.8
Business trip expenses ⁽¹³⁾	329.5	365.2	435.3
Other ⁽¹⁴⁾	471.4	660.9	666.7
Total	22,994.5	25,956.9	39,167.0

- (1) Fuel gas and gas losses relate principally to the cost of gas and other materials used by ICA to conduct its operations.
- (2) Salaries and related costs relate principally to salaries and cash bonuses for workers and employees associated with operations rather than administration or management.
- (3) Depreciation and amortisation relate principally to depreciation and amortisation of assets related to production rather than administration or management.
- (4) Maintenance-third party services relate principally to expenditure in relation to third party services provided to maintain and repair the pipeline system and compressor stations and other production assets.
- (5) Cost of gas sold relates principally to the cost of gas that ICA sells back to related parties. ICA purchases gas from related parties from time to time to supplement its needs, especially during the winter months.
- (6) Repair expenses relate principally to expenditure on repairs of pipeline and compressor stations and other production assets conducted by ICA, mostly expenditure on replacement equipment and parts.
- (7) Agreement expense relates principally to the concession charge that for the years 2004 and 2005 was calculated as a percentage of net profit after taxes and, for the years 2006 was fixed at KZT 1,085.8 billion. See “—Terms of the Concession Agreement” and “Material Agreements—The Concession Agreement”.
- (8) Communication expenses relate principally to telecommunication services provided by KazTransCom for technical personnel between field sites.
- (9) Materials expenses relate principally to expenditure on materials not related to repairs, for example, gasoline for transportation.
- (10) Security expenses relate principally to expenditure on the security personnel and equipment to safeguard the pipelines and compressor stations.
- (11) Insurance expenses relate principally to expenditure on insurance policies relating principally to the pipelines and compressor stations and associated assets.
- (12) Electric power relates principally to expenditure on the electricity supply from the national grid principally in connection with the running of the pipelines and the compressor stations.
- (13) Business trip expenses relate principally to expenditure on road, railway, and airplane traveling and lodging expenses and per diems in connection with the movement of production personnel across ICA's facilities in Kazakhstan.
- (14) Other consist of items none of which individually accounted for more than one per cent. of total cost of sales.

Administrative expenses. The following table sets forth a breakdown of ICA's administrative expenses for the periods indicated.

	For the year ended 31 December		
	2004	2005	2006
	<i>(KZT in millions)</i>		
Management fees ⁽¹⁾	2,697.0	2,697.0	3,347.0
Allowance expense for doubtful debt and obsolete inventory, net ⁽²⁾	(353.5)	153.3	2,877.2
Salaries and related costs ⁽³⁾	1,314.6	1,473.8	2,049.8
Taxes other than on income ⁽⁴⁾	377.2	857.2	1,121.6
Sponsorship expenses ⁽⁵⁾	111.2	1,572.7	853.7
Depreciation and amortisation ⁽⁶⁾	196.8	470.5	762.6
Non-cash employee compensation cost ⁽⁷⁾	397.1	371.0	612.4
Consulting fees ⁽⁸⁾	336.0	152.8	405.9
Office related expenditures ⁽⁹⁾	231.5	263.3	223.3
Communications ⁽¹⁰⁾	28.8	164.8	191.0
Transportation expenses ⁽¹¹⁾	73.0	104.9	115.9
Computer services expenses ⁽¹²⁾	17.2	37.8	100.4
Other ⁽¹³⁾	1,563.0	1,652.3	2,779.3
Total	6,989.9	9,971.3	15,440.1

- (1) Management fees relate principally to fees paid to KTG for production support under the commercial support agreement entered into between ICA and KTG in 2001, as amended in August 2006.
- (2) For 2004, allowance expense for doubtful debt and obsolete inventory, net relates principally to the recovery of reserves made for accounts receivables previously deemed uncollectable, while in 2005 this item relates principally to provisions made in relation to accounts receivable deemed uncollectable. The principal reason for the increase in 2006 is the accrual of provision for VAT.
- (3) Salaries and related costs relate principally to salaries of workers and employees associated with administration and management.
- (4) Taxes other than on income relate principally to taxes such as tax on real estate and other property, plant and equipment, among others.
- (5) Sponsorship expenses relate principally to sponsorship of national and sports teams, medical care and social housing and community development support.
- (6) Depreciation and amortisation relate principally to depreciation and amortisation of non-production assets such as property, plant and equipment used in administrative activities.
- (7) Non-cash employee compensation cost relates principally to employee and worker housing, medical expenses, among others.
- (8) Consulting fees relate principally to expenses of third party consultants.
- (9) Office related expenditures relate principally to office supplies and equipment.
- (10) Communications relate principally to long-distance calls.
- (11) Transportation expenses relate principally to expenses related to own transport and other transportation costs for administrative and management personnel.
- (12) Computer services expenses relate principally to costs of outsourced IT services.
- (13) Other consists of items none of which individually accounted for more than one per cent. of total administrative costs.

Other operating income. The principal components of "other operating income" consist of write-offs of accounts payable in the ordinary course of business, rental income principally in relation to the leasing of spare space in its administrative buildings to related parties, sale of obsolete or defective inventories, and others.

Other operating expenses. The principal components of "other operating expenses" consist of losses on the disposal of property, plant and equipment and cost of inventories sold.

Foreign exchange gains/(losses), net. Foreign exchange gain/(loss) consists of actual foreign exchange gains and losses incurred as a result of foreign currency transactions entered into by ICA, as well as gains and losses arising on the translation of foreign currency monetary assets and liabilities.

Finance costs. Finance costs consists principally of interest paid on long-term indebtedness, short or medium term bank loans and overdrafts, and also arranging and commitment fees, and the recording of amounts as interest on interest-free funds lent as financial support to related parties, as required by IFRS. ICA records such financial support at the fair value of such amounts, thereafter accounting for these amounts at amortised cost as required by IFRS, using an effective interest rate of 7 per cent. per annum. The difference between the amounts provided as financial support and their fair value is recorded as finance costs. See note 25 to the Financial Statements of ICA and “Description of ICA—Transactions between ICA and Related Parties”.

Finance income. Finance income consists principally of interest income on long-term loans lent to related parties, representing the offsetting of amounts recorded as interest in relation to interest-free funds lent as financial support to related parties that were previously recorded as finance costs, and interest earned on bank deposits.

Comparative Analysis of Results of Operations

Year ended 31 December 2006 compared to year ended 31 December 2005

Revenue. Revenue increased by 50 per cent. to KZT 83,429.1 million for the year ended 31 December 2006 from KZT 55,581.0 million for the year ended 31 December 2005. The increase was principally attributable to an increase of KZT 26,606.6 million in revenues from gas transportation, of which revenues from transit of Turkmen and Uzbek gas accounted for 94.7 per cent. The increases in gas transportation revenues were driven mainly by an increase in the international tariff to US\$1.1 per 1,000 cubic metres per 100 km in 2006 from US\$0.76 for Turkmen and Uzbek gas and from US\$0.90 for Russian gas in 2005 and took place in spite of a decrease in overall transported volumes to 121.9 bcm in 2006 from 129.9 bcm in 2005. Revenues for the transportation of Kazakh gas for export also contributed KZT 1,261.4 million to the increase in revenues in 2006 relative to 2005. Revenues from domestic transportation and transit of Kyrgyz gas increased but contributed only moderately to the overall increase in revenues, while revenues for the transportation of Russian gas decreased slightly. While non-transportation segments of revenues increased, their individual contribution to the overall increase in revenues was less than 6 per cent.

Cost of sales. Cost of sales increased by 51 per cent. to KZT 39,167.0 million for the year ended 31 December 2006 from KZT 25,956.9 million for the year ended 31 December 2005. The increase was principally attributable to an increase in the cost of fuel gas and gas losses of KZT 6,037.3 million due principally to an increase of 54 per cent. in the annual average price of gas; an increase in depreciation and amortisation of KZT 3,400.1 million due mainly to an increase in fixed assets as a result of the ongoing investment programme; an increase in cost of gas sold of KZT 1,659.6 million due primarily to the increase in the transportation of gas volumes through the CAC Pipeline; an increase in maintenance services from third parties of KZT 1,047.5 million resulting principally from inflation, and increases in other components of cost of sales that individually contributed less than 10 per cent. of the overall increase. These increases were partially offset by a decrease of KZT 1,379.6 million in repair expenses and other decreases representing less than 10 per cent. of the aggregate items having a partial offsetting effect.

Gross profit. Gross profit increased by 49 per cent. to KZT 44,262.2 million for the year ended 31 December 2006 from KZT 29,624.0 million for the year ended 31 December 2005. Gross margin remained at 53 per cent.

Administrative expenses. Administrative expenses increased by 55 per cent. to KZT 15,440.1 million for the year ended 31 December 2006 from KZT 9,971.3 million for the year ended 31 December 2005. The increase was principally attributable to an increase in allowance expense for doubtful debts and obsolete inventory of KZT 2,723.9 million (50 per cent. of the total increase), a decrease in sponsorship expenses of KZT 719.0 million, an increase in management fees of KZT 650.0 million paid to KTG as a result of an increase in services provided by KTG to ICA in connection with business planning and budget consolidation, an increase in salaries and related expenses of KZT 576.0 million, an increase in taxes other than on income of KZT 264.4 million, a write-off of VAT paid in prior years of KZT 365.3 million and increases in other components of administrative expenses that individually contributed less than 1 per cent. of the overall increase. The increase in allowance expenses for doubtful debt and obsolete inventory related principally to the accrual of provision for VAT paid in prior periods.

Other operating expenses. Other operating expenses decreased by 81 per cent. to KZT 292.8 million for the year ended 31 December 2006 from KZT 1,551.4 million for the year ended 31 December 2005. The decrease was principally attributable to a decrease in loss on disposal of property, plant and equipment of

KZT 1,102.4 million (88 per cent. of the total decrease). In 2005, loss on disposal of property, plant and equipment were high relative to 2006, reflecting losses from the disposal of real estate holdings, principally related to housing for employees and buildings, as a result of new regulations issued by the Anti-Monopoly Agency applicable to monopolies, which required ICA to dispose of assets appearing on its balance sheet not related to its core business.

Other operating income. Other operating income decreased by 73 per cent to KZT 78.8 million for the year ended 31 December 2006 from KZT 289.7 million for the year ended 31 December 2005. The decrease was principally attributable to a decrease in other operating income of KZT 111.4 million consisting of individual items none of which accounted for more than 10 per cent. of the overall decrease, and a decrease of KZT 73.8 million in the sale of inventories resulting from ICA's ongoing plan to decrease excess inventories begun in 2003 (the "Inventory Reduction Initiative").

Operating profit. Operating profit increased by 56 per cent. to KZT 28,608.1 million for the year ended 31 December 2006 from KZT 18,391.1 million for the year ended 31 December 2005.

Foreign exchange gains/(losses), net. Foreign exchange gains/(losses) net increased by KZT 2,621.2 million to KZT 2,039.2 million for the year ended 31 December 2006 from a net foreign exchange loss of KZT 582.0 million for the year ended 31 December 2005. The increase was principally attributable to the foreign exchange gains resulting from differences in the revaluation of U.S. dollar-denominated indebtedness on the balance sheet as at 31 December 2006 from the balance sheet as at 31 December 2005 and recognised on the income statement, as well as from transactions entered into in U.S. dollars during the course of 2006 and from certain foreign exchange gains resulting from hedging transactions in 2006, all as a result of the 3 per cent. appreciation in the Tenge against the U.S. dollar in 2006 relative to the 5 per cent. depreciation of the Tenge against the U.S. dollar in 2005.

Finance costs. Finance costs decreased by 24 per cent. to KZT 3,560.3 million for the year ended 31 December 2006 from KZT 4,681.0 million for the year ended 31 December 2005. The decrease was principally attributable to a decrease in interest accounted for under IFRS in relation to interest free long-term financial support to related parties of KZT 1,518.4 million as a result of the decrease in such long-term financial support in 2006 relative to 2005. This decrease was offset partially by an increase in interest expense on bank loans and overdrafts of KZT 247.4 million and an increase in interest expense on long-term loans and long-term loans due to related parties of KZT 155.4 million.

Finance income. Finance income increased by 12 per cent. to KZT 1,515.0 million for the year ended 31 December 2006 from KZT 1,358.7 million for the year ended 31 December 2005. The increase was principally attributable to an increase in interest income on long-term financial support to related parties of KZT 394.8 million, partially offset by a decrease in interest income on bank deposits of KZT 238.6 million.

Profit before income tax. As a result of the above, profit before income tax increased by 97 per cent. to KZT 28,601.9 million for the year ended 31 December 2006 from KZT 14,486.9 million for the year ended 31 December 2005.

Income tax expense. Income tax expense increased by 114 per cent. to KZT 9,896.0 million for the year ended 31 December 2006 from KZT 4,626.5 million for the year ended 31 December 2005. The increase was principally attributable to the growth in profit before income tax, as the effective tax rate increased slightly.

Net profit. As a consequence of the factors discussed above, net profit increased by 90 per cent. to KZT 18,705.9 million for the year ended 31 December 2006 from KZT 9,860.4 million for the year ended 31 December 2005.

Year ended 31 December 2005 compared to year ended 31 December 2004

Revenue. Revenue increased by 14 per cent. to KZT 55,581.0 million for the year ended 31 December 2005 from KZT 48,919.4 million for the year ended 31 December 2004. The increase was principally attributable to an increase of KZT 6,408.9 million in revenues from gas transportation, of which revenues from transit of Turkmen and Uzbek gas accounted for 94.8 per cent. of the total increase. The increase in gas transportation revenues was driven mainly by the increase in international transit, including an increase in transit volumes on the CAC Pipeline to 46.2 bcm in 2005 from 42.4 bcm in 2004 and in the Orenburg-Novoposkov Pipeline to 69.9 bcm in 2005 from 63.3 bcm in 2004, as well as an increase in the international tariff in relation to Turkmen and Uzbek gas transit implemented in February 2005, to US\$0.76 per 1,000 cubic metres per 100 kilometres from the US\$0.68 applicable during 2004. Increase in

revenues for domestic transportation and revenues for export transportation contributed moderately to the overall increase, while decreases in revenues from transit of Kyrgyz gas and of Russian gas had a moderate offsetting effect to the overall increase in revenue. While revenues from the sale of gas increased significantly to KZT 244.7 million in 2005 from KZT 29.2 million in 2004, their increase contributed only 3.2 per cent. to the overall increase in revenues, while increases in other non-transportation segments contributed together less than 1 per cent. to the overall increase in revenues.

Cost of sales. Cost of sales increased by 13 per cent. to KZT 25,956.9 million for the year ended 31 December 2005 from KZT 22,994.5 million for the year ended 31 December 2004. The increase was principally attributable to increases in fuel gas and gas losses of KZT 1,640.9 million (55 per cent. of the total increase), in salaries and related costs of KZT 1,256.7 million, in depreciation and amortisation of KZT 587.0 million, in third party maintenance services of KZT 368.6 million, in repair expenses of KZT 144.9 million, in electric power costs of KZT 93.8 million, in cost of gas sold of KZT 76.2 million, in business travel expenses of KZT 35.7 million, and in security expenses of KZT 7.2 million. These increases in costs of sales were partially offset by decreases in materials expenses of KZT 626.0 million, in insurance expenses of KZT 362.5 million, in charges relating to the Concession Agreement of KZT 319.7 million, and in communication expenses of KZT 130.0 million. The significant increase in fuel gas and gas losses is mainly attributable to an increase of 7.4 per cent. in the average gas price and the 11 per cent. increase in total volume transported by ICA in 2005 relative to 2004, due to which ICA required more gas for its operations. The increase in salaries and related costs was due to both an increase in the number of employees of 5 per cent. and an increase in average monthly salaries of 6.6 per cent. in 2005 relative to 2004. The increase in depreciation and amortisation was due to the increase in fixed assets as a result of ongoing investments. The effects of the growth in overall volume transported and of inflation accounts for much of the increases in other components of cost of sales.

Gross profit. Gross profit increased by 14 per cent. to KZT 29,624.0 million for the year ended 31 December 2005 from KZT 25,925.0 million for the year ended 31 December 2004.

Administrative expenses. Administrative expenses increased by 43 per cent. to KZT 9,971.3 million for the year ended 31 December 2005 from KZT 6,989.9 million for the year ended 31 December 2004. The increase was principally attributable to increases in sponsorship expenses of KZT 1,461.5 million (49 per cent. of the total increase), in allowance expense for doubtful debts and obsolete inventory of KZT 506.8 million, in taxes other than on income of KZT 480.0 million, in other expenses of KZT 89.2 million, in depreciation and amortisation of KZT 273.7 million, in salaries and related costs of KZT 159.2 million, in communications expenses of KZT 136.0 million transportation expenses of KZT 31.9 million, in office related expenditures of KZT 31.8 million and in computer services expenses of KZT 20.6 million. These increases were partially offset by decreases in consulting fees of KZT 183.2 million and in non-cash employee benefits of KZT 26.1 million. The increase in sponsorship expenses was principally a result of the construction of new housing units for individuals in the Atyrau region who were rendered homeless due to a flood disaster in 2005. The increase in allowance expenses for doubtful debts and obsolete inventory was related principally to a significant reversal of provision for doubtful debts of KZT 1,221.2 million from KMG group companies in 2004. The increases in taxes other than on income and of depreciation and amortisation were due mainly to increased property taxes payable by ICA as a result of an increase in property, plant and equipment due to continuous investments by ICA.

Other operating expenses. Other operating expenses increased substantially to KZT 1,551.4 million for the year ended 31 December 2005 from KZT 665.8 million for the year ended 31 December 2004. The increase was principally attributable to an increase in losses on disposal of property, plant and equipment of KZT 1,274.8 million, partially offset by a decrease of KZT 185.5 million in write-offs of accounts receivables due to Gasernergoservice, a decrease of KZT 128.9 million in the cost of inventories sold, and a decrease of KZT 74.7 million in other operating expenses. The increase in losses on disposal of property, plant and equipment relates principally to the significant increase in disposals in 2005 relative to 2004 as a result of the audit by the Anti-Monopoly Agency discussed above. The decrease in the write-off of accounts receivable is mainly due to the one-time impact in 2004 of the writing off of KZT 185.5 million in relation to non-recoverable custom duties for certain repair materials acquired from Gasernergoservice. The decrease in cost of inventories was mainly the result of the decreased levels of inventory disposal in 2005 relative to 2004 in connection with the Inventory Reduction Initiative.

Other operating income. Other operating income decreased by 47 per cent. to KZT 289.7 million for the year ended 31 December 2005 from KZT 547.9 million for the year ended 31 December 2004. The decrease was principally attributable to a decrease of KZT 156.5 million in relation to reversal of over-accrued taxes due to the one time recognition in 2004 in respect of this item for the same amount, as

well as a decrease of KZT 114.5 million in the sale of inventories in 2005 relative to 2004 in connection with the Inventory Reduction Initiative. Other decreases accounted for less than 10 per cent. of the total decrease in other operating income. These decreases were partially offset by an increase in rental income of KZT 15.9 from 2004 to 2005.

Operating profit. Operating profit decreased by 2 per cent. to KZT 18,391.1 million for the year ended 31 December 2005 from KZT 18,817.2 million for the year ended 31 December 2004 as a result of the above factors.

Foreign exchange gains/(losses), net. ICA had a net foreign exchange loss of KZT 582 million for the year ended 31 December 2005, while it had a net foreign exchange gain of KZT 1,324.3 million for the year ended 31 December 2004. The net foreign exchange loss in 2005 was principally attributable to the balance sheet effect of the appreciation of the U.S. dollar relative to the Tenge. The net foreign exchange gain in 2004 was principally attributable to the constant depreciation of the U.S. dollar relative to the Tenge over the period.

Finance cost. Finance cost increased by 66 per cent. to KZT 4,681.0 million for the year ended 31 December 2005 from KZT 2,817.1 million for the year ended 31 December 2004. The increase in 2005 of KZT 2,001.8 million was principally attributable to the payment of the first coupon on the 2004 Bonds, which were issued in November 2004.

Finance income. Finance income increased by 191 per cent. to KZT 1,358.7 million for the year ended 31 December 2005 from KZT 467.4 million for the year ended 31 December 2004. The increase was principally attributable to an increase of KZT 967.9 million in interest income on bank deposits, partially offset by a decrease of KZT 76.6 million in interest income on long-term financial support to related parties, as a result of repayments of amounts issued as loans in connection with the long-term financial support to related parties. The increase in interest income on bank deposits is mainly attributable to the implementation in 2005 of a synthetic hedging strategy using drawings under short-term, U.S. dollar credit lines to increase Tenge-denominated bank deposits, as well as the increase of such bank deposits from with excess cash flows from operations and from unused proceeds from the issue of the 2004 Bonds.

Profit before income tax. Profit before income tax decreased by 19 per cent. to KZT 14,486.9 million for the year ended 31 December 2005 from KZT 17,791.7 million for the year ended 31 December 2004. The decrease was principally attributable to increase in finance costs and net foreign exchange loss for the reasons discussed above.

Income tax expense. Income tax expense decreased by 16 per cent. to KZT 4,626.5 million for the year ended 31 December 2005 from KZT 5,518.0 million for the year ended 31 December 2004. The decrease was principally attributable to the decrease in profit before income tax.

Net profit. As a consequence of the factors discussed above, net profit decreased by 20 per cent. to KZT 9,860.4 million for the year ended 31 December 2005 from KZT 12,273.7 million for the year ended 31 December 2004.

Liquidity and Capital Resources

ICA's principal sources of funds are cash generated from operations and amounts drawn under short and long-term credit facilities. ICA's principal uses of funds are capital expenditures to renew and enhance its production facilities, including the CAC Pipeline Expansion Projects (as defined below under "—Capital Expenditures"), operating expenses, including maintenance costs, and debt service. Management believes that ICA is able to finance its working capital requirements and debt service requirements for the reasonably foreseeable future.

Cash Flows

The table below summarises ICA's cash flows for the periods indicated.

	For the year ended 31 December		
	2004	2005	2006
	<i>(KZT in millions)</i>		
Net cash provided by operating activities	17,305.8	22,489.5	25,350.8
Net cash used in investing activities.....	(34,191.7)	(27,728.8)	(51,308.1)
Net cash provided by financing activities.....	17,725.9	7,045.7	27,311.6
Cash and cash equivalents at the beginning of the period.....	211.5	1,051.5	2,858.0
Cash and cash equivalents at the end of period	1,051.5	2,858.0	4,212.3

Net cash flows provided by/(used in) operating activities

ICA generated KZT 25,350.8 million net cash from operating activities in 2006, compared to net cash generated from operating activities of KZT 22,489.5 million in 2005. The increase was principally attributable to an increase in operating profit before changes in working capital of KZT 16,475.7 million in 2006 relative to 2005, offset by an overall decrease in changes in working capital of KZT 9,497.1 million in 2006 relative to 2005, which was principally attributable to a change in indirect taxes recoverable to an increase of KZT 3,656.2 million in 2006 from a decrease of 1,358.4 million in 2004, as well as a change in trade and other receivables to an increase of KZT 1,937.1 million in 2006 from an increase of KZT 372.7 million in 2005, and a change in trade and other payables to a decrease of 1,377.7 million in 2006 from a decrease of KZT 173.3 million in 2005.

ICA generated KZT 22,489.5 million from operating activities in 2005, compared to net cash generated operating activities of KZT 17,305.8 million in 2004. The increase was principally attributable to increases in 2005 relative to 2004 in operating profit before changes in working capital of KZT 2,671.5 million and in changes in working capital of KZT 3,324.1 million. The principal factors in the increase in working capital in 2005 relative to 2004 were the positive effects of a change in indirect taxes recoverable to a decrease of KZT 1,358.4 million in 2005 from an increase of KZT 2,931.4 million in 2004 and a change in indirect taxes payable to an increase of KZT 292.1 million in 2005 from a decrease of KZT 725.3 million in 2004. These positive changes in working capital were partially offset by a change of KZT 3,627.7 million in trade and other receivables, to an increase of KZT 372.7 million in 2005 compared to a decrease of KZT 3,255.0 million in 2004.

Net cash flows provided by/(used in) by investing activities

ICA used KZT 51,308.1 million in investing activities in 2006, compared to net cash used in investing activities of KZT 27,728.8 million in 2005. The net cash used in investing activities was principally attributable to an increase in advances paid for non-current assets of KZT 21,933.3 million reflecting increases in capital expenditures to fund the CAC Pipeline Expansion Projects, an increase in the purchase of property, plant and equipment of KZT 14,591.0 million principally attributable to construction projects being completed by the contractor under the CAC Pipeline Expansion Projects, a decrease of KZT 5,007.4 million in funds repaid by related parties in respect of funds lent as financial support, and an increase of KZT 3,416.6 million in funds lent as financial support given to related parties. These cash uses were offset primarily by a change in bank deposits with a maturity of more than three months to a decrease of KZT 11,791.3 million in 2006 from an increase of KZT 8,891.3 million in 2005, reflecting principally ICA's decision to reduce bank deposits in 2006 in favour of making more funds available for capital expenditures.

ICA used KZT 27,728.8 million in investing activities in 2005, compared to net cash used in investing activities of KZT 34,191.7 million in 2004. The decrease in net cash used in investing activities was principally attributable to a decrease in funds lent as financial support given to related parties of KZT 19,199.2 million and an increase of KZT 3,376.7 million in funds repaid by related parties in connection with financial support given to them in 2005 relative to 2004. These increases in cash used in investing activities were partially offset by increases in 2005 relative to 2004 in cash used in the purchase of property, plant and equipment of KZT 8,403.1 million and in cash placed in bank deposits with a maturity of more than three months of KZT 5,991.3 million.

Net cash flows provided by/(used in) financing activities

Net cash provided by financing activities was KZT 27,311.6 million in 2006, compared to KZT 7,045.7 million in 2005. The increase was principally attributable to US\$250 million of funds drawn under the 2006 Bridge Facility (as defined herein) to upgrade the projects of KazStroyService in relation to the CAC Pipeline.

Net cash provided by financing activities was KZT 7,045.7 million in 2005, compared to KZT 17,725.9 million in 2004. Funds drawn under the 2004 Bridge Facility (as defined herein) and the 2004 Bonds funding the repayment of the 2004 Bridge Facility were sufficient, along with cash generated by ICA's operations, to fund its capital expenditure requirements and thus no significant borrowings were made in 2005.

Contractual Obligations

The following table sets forth ICA's material contractual obligations and their maturity as at 31 December 2006. See note 26 to the Financial Statements of ICA for additional information about ICA's contractual obligations.

	<u>Less than one year</u>	<u>One to three years</u>	<u>Four to five years</u>	<u>More than five years</u>	<u>Total</u>
	<i>(US\$ in millions)</i>				
Long-term debt obligations ⁽¹⁾	4.4	26.3	274.5	250.0	555.2
Purchase obligations ⁽²⁾	338.7	—	—	—	338.7
Expenditures required under the Concession Agreement ⁽³⁾⁽⁴⁾	8.5	49.2	32.8	82.0	172.5

- (1) As at 31 December 2006, long-term debt obligations did not include the debt in respect of which ICA is a guarantor and interest payable of US\$3.4 million in respect of bank loans and long-term loans due to related parties. Also, long-term debt obligations does not include unamortised discounts and transaction costs incurred in connection with obtaining long-term bank loans and long-term loans due to related parties.
- (2) As at 31 December 2006, purchase obligations included ICA's obligations under the contracts for the supply of equipment and construction in connection with the CAC Pipeline Expansion Projects.
- (3) Under the terms of the Concession Agreement, ICA is obligated, under certain conditions, to undertake improvements, repairs and new investments during the initial 15-year term of the Concession Agreement of not less than US\$30 million per year and not less than US\$450 million in the aggregate. See "Description of ICA—The Concession Agreement". To date, ICA has expended US\$650 million in such improvements and new investments.
- (4) In accordance with amendments to the Concession Agreement made on 31 March 2006, the Guarantor is obligated to pay an annual concession payment to be negotiated every year with Kazakhstan. For the years 2006 and 2007, this payment has been fixed at KZT 1,085 million. For subsequent years starting on 1 January 2008, the payment has been preliminarily fixed at KZT 2,082 million, but is subject to revision and the parties have agreed to further negotiations.

Capital Expenditures

In the years ended 31 December 2004, 2005, and 2006, ICA has made capital expenditures of KZT 11,908.8 million, KZT 28,064.1 million and KZT 42,909.5 million, respectively, for the maintenance of pipeline infrastructure by conducting repair and reconstruction works and the purchase of property, plant and equipment, including investments in the repair and renovation of various pipeline segments and related infrastructure, the replacement of turbine engines, the removal of defective equipment, and to fund investment projects principally aimed at expanding the throughput capacity of the CAC Pipeline, including (i) the construction of a new turbo compressor section at the Opornaya station, which work has been contracted to MAN Turbo AG and is expected to be completed in 2008 (the "Opornaya Turbo Compressor Project") and (ii) the construction of a new pipeline bypass segment, which work has been contracted to KazStroyService and is expected to be completed in 2008 (the "Bypass Segment Project" and together with the Opornaya Turbo Compressor Project, the "CAC Pipeline Expansion Projects"). The CAC Pipeline Expansion Projects will increase the throughput capacity of the CAC Pipeline from its current 54 bcm per year to 60 bcm per year. ICA has made advances to general contractors in the years ended 31 December 2005 and 2006 in the amounts of KZT 1,995.5 million and KZT 26,068.4 million, respectively, in connection with future works to be performed in connection with the CAC Pipeline Expansion Projects.

Over the next the two years, ICA has budgeted KZT 65,861 million of aggregate capital expenditures, of which approximately KZT 29,753 million are expected to be required for maintenance capital expenditures and approximately KZT 36,108 million for the CAC Pipeline Expansion Projects. ICA

anticipates that most of its budgeted capital expenditures will be financed with cash generated by its operations, as well as borrowings under its existing credit facilities.

Indebtedness

As at 31 December 2006, ICA's total outstanding indebtedness in respect of short-term and long-term bank loans and a long-term loan due to a related party was KZT 69.3 billion, of which KZT 0.5 billion was indebtedness maturing within one year and KZT 68.8 million was indebtedness maturing in more than one year. The following is a description of ICA's currently outstanding indebtedness in respect of short-term and long-term bank loans, and the long-term loan due to a related party. In addition, below is a description of debt in respect of which ICA is a guarantor.

2002 ABN AMRO Facility

In August 2002, KTG entered into a one-year revolving credit facility agreement with JSC SB ABN AMRO Bank Kazakhstan ("ABN AMRO Bank Kazakhstan"), pursuant to which ABN AMRO Bank Kazakhstan agreed to extend loans, letters of credit and bank guarantees to KTG in an aggregate amount outstanding at any time of up to US\$5.75 million (the "2002 ABN AMRO Facility"). The 2002 ABN AMRO Facility has been amended several times. Pursuant to the 2002 ABN AMRO Facility, as amended, ABN AMRO Bank Kazakhstan had agreed to extend to KTG and ICA, until 17 October 2005, loans for terms of no more than 180 days each, letters of credit and bank guarantees in an aggregate amount outstanding at any time of up to US\$15.0 million. ICA and KTG each agreed to guarantee the respective obligations of the other under the 2002 ABN AMRO Facility.

In February 2005, the 2002 ABN AMRO Facility was further amended to increase the amount of revolving credit line to US\$50 million. Loans in U.S. dollars and other hard currencies under the 2002 ABN AMRO Facility bear interest on their outstanding principal balances at a rate of the London Interbank Offered Rate ("LIBOR") plus 1.65 per cent. per annum. The 2002 ABN AMRO Facility is pre-payable at any time, in whole or in part.

As at 31 December 2006, the outstanding balance under the 2002 ABN AMRO Facility was US\$9.8 million.

HSBC Facility

In September 2003, KTG entered into a one-year revolving credit facility agreement with JSC HSBC Bank Kazakhstan, pursuant to which KTG was initially permitted to draw Tenge or U.S. dollar loans in the amount of up to the equivalent of US\$20 million, to finance KTG's working capital requirements (the "HSBC Facility"). The terms and conditions of the HSBC Facility were subsequently amended to permit KTG to draw up to US\$61 million. Amounts drawn bear interest at the rate of LIBOR plus 2.0 per cent. per annum. The HSBC Facility is pre-payable at any time, in whole or in part. The credit line is irrevocably guaranteed by ICA.

As at 31 December 2006, the outstanding balance under the HSBC Facility was US\$28.1 million.

Citibank Facility

In September 2004, KTG, ICA and KazTransGas Distribution, now KTG Aimak JSC ("KTGD"), entered into a revolving facility agreement with JSC Citibank Kazakhstan (the "Citibank Facility"), pursuant to which JSC Citibank Kazakhstan agreed to extend loans for terms of no more than 365 days each, letters of credit and bank guarantees and overdrafts for up to 14 days to KTG, ICA and KTGD in an aggregate amount outstanding at any time of US\$36.8 million (provided that the aggregate amount that may be extended to KTGD at any one time may not exceed US\$25.0 million and the amount of overdrafts at any one time may not exceed US\$3.0 million). The Citibank Facility agreement amended an earlier facility agreement concluded by KTG and ICA with JSC Citibank Kazakhstan in 2002. Funds borrowed under the Citibank Facility may be used by the borrowers for general corporate purposes. In August 2006, the Citibank Facility was amended to increase the amount available under the facility to US\$35 million. Loans drawn under the Citibank Facility bear interest on their outstanding principal balance at the rate of one-month LIBOR plus 1.5 per cent. KTG has irrevocably guaranteed the respective obligations of ICA and KTGD under the Citibank Facility.

As at 31 December 2006, the outstanding balance under the Citibank Facility was US\$7.2 million.

The 2004 Bonds

In November 2004, the Issuer issued the 2004 Bonds, which are US\$250 million of 6.875 per cent. Notes due 2011, guaranteed by KZT and ICA. Interest on the 2004 Bonds is payable semi-annually in arrear on 4 May and 4 November of each year, commencing on 4 May 2005. The net proceeds to the Issuer from the issue and sale of the 2004 Bonds were approximately US\$245.3 million and were used principally to make a loan to ICA, which in turn used the proceeds principally to repay a bridge facility (the “2004 Bridge Facility”) previously entered into in the same year with ABN AMRO Bank N.V. and JPMorgan Chase Bank. The 2004 Bridge Facility was used to repay an earlier loan facility of US\$150 million arranged by a syndicate of western banks in 2003. The obligations of ICA and KTG as guarantors constitute direct, general, unconditional and, except in respect of certain rights as provided therein, unsecured obligations of each Guarantor and rank, and will at all times rank, at least *pari passu* with all of its other present and future unsecured obligations of such Guarantor respectively, save only for such obligations as may be preferred by mandatory provisions of applicable law.

As at 31 December 2006, the outstanding principal balance under the 2004 Bonds was US\$250.0 million.

2006 Bridge Facility

In October 2006, ICA entered into a bridge facility agreement with ABN AMRO Bank N.V. and BNP Paribas (for purposes of this paragraph, the “Lenders”), pursuant to which the Lenders agreed to lend ICA up to US\$500.0 million (the “2006 Bridge Facility”) at an interest rate of LIBOR plus 0.4 per cent. per annum. Amounts due under the 2006 Bridge Facility are expected to be repaid with the proceeds from the offering of the Notes contemplated herein. The proceeds of the 2006 Bridge Facility were primarily used by ICA for capital expenditures, including to make advances to the contractor in connection with to the Bypass Segment Project. KTG has guaranteed the obligations of ICA under the 2006 Bridge Facility. See “Use of Proceeds” and “Capitalisation of ICA”.

As at 31 December 2006, the outstanding principal balance under the 2006 Bridge Facility was US\$250.0 million. In January 2007, ICA withdrew an additional US\$125 million under the 2006 Bridge Facility, and as at 1 April 2007, the outstanding principal balance under the 2006 Bridge Facility was US\$375 million.

HSBC Bank (MAN Turbo) Facility

In August 2005, ICA entered into a 12-year loan agreement with Trinkaus & Burkhart KGAA (“Trinkaus”) and Citigroup Global Markets Deutschland AG (“Citigroup”), with HSBC Bank plc as finance agent, pursuant to which Trinkaus and Citigroup agreed to lend to ICA an aggregate amount outstanding at any time of up to €44.8 million (the “HSBC Bank (MAN Turbo) Facility”). Amounts due under the HSBC Bank (MAN Turbo) Facility are repayable in 20 consecutive semi-annual instalments, maturing in September 2017, and bear interest at the rate of LIBOR plus 0.3 per cent. per annum. KTG has guaranteed the obligations of ICA under the HSBC Bank (MAN Turbo) Facility.

The HSBC Bank (MAN Turbo) Facility was entered into in connection with ICA’s general contract with MAN Turbo AG (the “MAN Turbo Contract”) in connection with the Oporneya Turbo Compressor Project.

As at 31 December 2006, the outstanding principal balance under the HSBC Bank (Man Turbo) Facility was US \$37.2 million. In January 2007, ICA received an additional US\$6,289,127 from HSBC Bank plc under the HSBC Bank (Man Turbo) Facility.

Citibank Kazakhstan / HSBC Bank Kazakhstan Facility

In August 2005, ICA entered into an additional loan agreement in connection with the MAN Turbo Contract with JSC HSBC Bank Kazakhstan and JSC Citibank Kazakhstan (for purposes of this paragraph, the “Lenders”), with JSC SB HSBC Bank Kazakhstan as agent and passport bank, pursuant to which the Lenders agreed to lend ICA an aggregate amount of €14.9 million (the “Citibank Kazakhstan/HSBC Bank Kazakhstan Facility”). Amounts due under the Citibank Kazakhstan/HSBC Bank Kazakhstan Facility are repayable in semi-annual instalments, maturing in August 2012, and bear interest at the rate of LIBOR plus 1.75 per cent. per annum. KTG has guaranteed the obligations of ICA under the Citibank Kazakhstan / HSBC Bank Kazakhstan Facility.

As at 31 December 2006, the outstanding principal balance under the Citibank Kazakhstan / HSBC Bank Kazakhstan Facility was US\$18.0 million.

HSBC Bank plc Facility

In November 2006, KTG entered into a seven-year syndicated loan with HSBC Bank plc (the “HSBC Bank plc Facility”), pursuant to which HSBC Bank plc agreed to lend KTG an aggregate amount of US\$52 million. The loan bears interest at the rate of LIBOR plus 0.7 - 0.85 per cent. per annum. ICA has guaranteed the obligations of KTG under the HSBC Bank plc Facility.

As at 31 December 2006, the outstanding principal balance under the HSBC Bank plc Facility was US\$52 million.

2007 Credit Suisse Facility

In February 2007, KazTransGas-Tbilisi (“KTG-Tbilisi”), a wholly-owned subsidiary of KTG, entered into a seven year loan agreement with Credit Suisse International (“Credit Suisse”), pursuant to which Credit Suisse agreed to lend to KTG-Tbilisi an aggregate amount of US\$50 million (the “2007 Credit Suisse Facility”). The proceeds of the 2007 Credit Suisse Facility are being used for capital expenditures by KTG-Tbilisi relating to construction, repair and maintenance of gas pipelines in Georgia. Amounts drawn bear interest at the rate of LIBOR plus 2.3 per cent. per annum and mature in February 2014. ICA and KTG have jointly guaranteed the obligations of KTG-Tbilisi under the 2007 Credit Suisse Facility.

As at 1 April 2007, the outstanding principal balance under the 2007 Credit Suisse Facility was US\$50 million.

Almaty Merchant Bank Facility

In September 2006, ZKMK JSC, a machinery and equipment producer unaffiliated with ICA, a contractor providing machinery and equipment to ICA, entered into a loan agreement with Almaty Merchant Bank, in the amount of €3.0 million (the “Almaty Merchant Bank Facility”), which was guaranteed by ICA, relating to the production and repair of equipment for ICA. The loan bears interest at the rate of 9 per cent. per annum and matures in September 2011. The Almaty Merchant Bank Facility is pre-payable in full or in part at any time.

As at 31 December 2006, the outstanding principal balance under the Almaty Merchant Bank Facility was €1.1 million.

Other than the additional amounts withdrawn by ICA under the 2006 Bridge Facility and the HSBC (Man Turbo) Facility in January 2007, and the 2007 Credit Suisse Facility entered into by KTG-Tbilisi and guaranteed by ICA, there have been no material changes to ICA’s outstanding debt obligations or debt in respect of which it is a guarantor since 31 December 2006.

Disclosures About Market Risk

The following information should be read in conjunction with the Financial Statements of ICA included elsewhere in this Prospectus. ICA is exposed to changes in commodity prices, foreign exchange rates and interest rates through its commercial and financial operations.

Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. ICA manages market risk through the periodic estimation of potential losses that could arise from adverse changes in market conditions that are considered in business planning.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. ICA’s potential interest rate risk relates to interest rates associated with its loans received from banks (see note 14 to the Financial Statements of ICA), long-terms loan due to related parties (see note 13 to the Financial Statements of ICA). In 2006, ICA did not enter into any hedging instruments to mitigate any potential risks since management does not believe the interest rate risk associated with the loans and long-term loan from related party is significant because interest rates are reviewed periodically.

Liquidity Risks

Liquidity risk is the risk that ICA will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. ICA regularly monitors liquidity requirements and management ensures that sufficient funds are available to meet any commitments as they arise.

Credit Risks

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risks are controlled by the application of credit-sale approvals, limits and monitoring procedures. The extent of ICA's credit exposure is represented by aggregate balance of accounts receivable, a significant portion of which is from one customer. Management does not believe that any significant customer would not meet obligations due to the nature of its services and ability to restrict or disconnect gas transportation for such customers. Further, ICA deposits cash only with large and well known banks.

Cash Flow Risk

Cash flow risk is the risk that future cash flows associated with monetary financial instrument will fluctuate in amount. The cash flow risk is managed by ICA by budgeting and performing analysis of cash flows.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. ICA's operations are carried out primarily in Kazakhstan. Nevertheless, the vast majority of ICA's cash inflows as well as accounts receivable balances are denominated in U.S. dollars. Consequently, any significant decrease in the rate of the Tenge may have a significant negative effect on ICA's financial position and the results of its operations. In 2006, ICA hedged a dollar denominated payment from Gazprom in the amount of US\$40 million; however, ICA did not hedge accounts receivables and accounts payable nor loans denominated in foreign currencies.

As at 31 December 2006, ICA had monetary assets and liabilities denominated in Tenge and U.S. dollars.

Critical Accounting Policies and Estimates and Depreciation and Amortisation

The preparation of ICA's financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Operating Lease Commitments - ICA as Lessee

ICA has entered into leases in relation to its mainline gas distribution network, office space and cars. ICA has determined that the lessor retains all the significant risks and rewards of ownership of the mainline gas distribution network, office spaces and cars so accounts for them as operating leases.

Provision for VAT Recoverable

ICA determines whether VAT recoverable is doubtful at least on an annual basis. The provision for doubtful VAT recoverable is based on the review report by tax authorities. Significant management judgment is required to determine whether ICA can further defend its right for VAT recoverability. The provision for doubtful VAT recoverable as at 31 December 2006 was KZT 2,717.2 million.

Deferred Tax Assets

Deferred tax assets are recognised for all provisions for doubtful debts and allowances for slow-moving inventories to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved, as well as on the successful implementation of tax planning strategies. The amount of recognised deferred tax assets as at 31 December 2006 was KZT 1,784.5 million.

The unrecognised deferred tax assets of KZT 2,907.6 million related to the difference between the accounting and tax treatment for the assets under the Concession Agreement (see note 24 to the Financial Statements of ICA). For tax purposes, ICA has deducted tax depreciation for these assets. Due to the uncertainty surrounding future tax deductibility of these costs, the deferred tax asset related to these assets was not recognised. Should the tax depreciation taken in prior periods be challenged and reversed by the tax authorities, it could have a material adverse effect on ICA's financial position and results of operations. Management believes, based on the results of past audits by tax authorities of

Kazakhstan, that it is not likely that previously claimed tax deductions for depreciation will be challenged, and accordingly no provision for fines and penalties was recognised in the Financial Statements of ICA.

Fair Value of Financial Support Provided to Related Parties

The financial support provided to related parties have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires ICA to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty. The fair value of the financial support to related parties as at 31 December 2006 was KZT 18,775.4 million.

Allowances

ICA makes allowances for doubtful accounts receivable, advances paid and other current assets. Significant judgment is used to estimate doubtful accounts. In estimating doubtful accounts historical and anticipated customer performance are considered. Changes in the economy, industry, or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the financial statements. As at 31 December 2006, allowances for doubtful accounts have been created in the amount of KZT 280.5 million.

Useful Lives of Items of Property, Plant and Equipment

The Concession Agreement is a concession arrangement scoped out of IFRIC 12 “Service Concession Arrangements” (because the grantor does not control the price at which ICA contracts with its major customers). Additions or improvements to the assets managed and operated under the Concession Agreement are capitalised and depreciated over an estimate of remaining useful life regardless of whether the term of the Concession Agreement is shorter as the Government is obliged to acquire these assets at the net book value if the Concession Agreement is not extended. ICA assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

DESCRIPTION OF ICA

Overview

ICA, a joint stock company registered under the laws of Kazakhstan and indirectly owned by the State, is the operator of Kazakhstan's national natural gas pipeline system, which transports natural gas principally from Turkmenistan, Uzbekistan and Kazakhstan to Russia and from one part of Russia to another through Kazakh territory, and distributes gas within Kazakhstan. ICA's principal business activities include the management, maintenance and operation of the natural gas transportation system of Kazakhstan; the transportation of natural gas through a system of pipelines; and the storage of natural gas.

ICA's rights to operate Kazakhstan's national natural gas pipeline infrastructure are derived from a Concession Agreement with Kazakhstan, with an initial term running until 2012 that may be automatically extended until 2017. Under the Concession Agreement, ICA was required to pay to the State 10 per cent. of ICA's net profit after taxes for the years 2004 and 2005, KZT 1,085,797,110 per year for the years 2006 and 2007, and will be required to pay a fixed rate of KZT 2,082,287,100 for 2008 onward unless the parties negotiate otherwise in advance. ICA is also required to make certain investments of up to US\$30 million per year and not less than US\$450 million in the aggregate for the period from 1997 to 2012. See "Material Agreements—The Concession Agreement".

ICA's principal customer is Gazprom, which accounted for 89 per cent. of ICA's total revenues for the year ended 31 December 2006. ICA provides gas transportation services to Gazprom pursuant to the Gazprom Contracts, one of which, the Turkmen/Uzbek Gas Transit Contract, specifies the agreed volumes for the transport of Turkmen and Uzbek gas to Russia, and the other, the Russian Gas Transit Contract, specifies the agreed volumes to and from gas fields in Western Russia and the Orenburg gas refinery plant in Southwestern Russia. The Turkmen/Uzbek Gas Transit Contract is entered into on a "80/20 take-or-pay basis" requiring Gazprom to pay for at least 80 per cent. of the agreed volumes regardless of the volumes actually required by it to be transported by ICA. The Gazprom Contracts were entered into in 2005 and expire in 2010. Under these contracts, tariffs have been fixed for the contract term at US\$1.1 per 1,000 cubic metres of natural gas transported over 100 km of pipelines until 2010. See "Material Agreements—The Gazprom Contracts". ICA is currently in the process of negotiating a further tariff increase with Gazprom, which Management believes will be effective at the beginning of 2008.

The pipeline infrastructure operated by ICA consists principally of a pipeline network in western Kazakhstan and a pipeline network in southern Kazakhstan. The pipeline network in western Kazakhstan consists of three separate systems aggregating approximately 7,000 km of pipelines, and of which the principal system is the CAC Pipeline (as defined herein) with a throughput capacity of 54 bcm per year. The pipeline network in southern Kazakhstan consists of pipelines running through the southern region of Kazakhstan and consisting of approximately 4,000 km of pipelines. For the years ended 31 December 2004, 2005 and 2006, ICA transported 121.6 bcm, 129.9 bcm and 121.9 bcm in total, respectively.

ICA generated revenues of KZT 83,429.1 million and net profit of KZT 18,705.9 million for the year ended 31 December 2006 and had assets of KZT 173,696.6 million as at 31 December 2006.

ICA was registered with the Ministry of Justice in Kazakhstan (under number 13899-1901-AO) on 1 July 1997 with an indefinite duration. In May 2003, ICA moved its headquarters to Astana, the capital of Kazakhstan. ICA's headquarters are located at 20 Kabanbay Batyra Avenue, Astana, Republic of Kazakhstan and the telephone number of its headquarters is +7 3172 977 136. ICA's fiscal year ends on 31 December.

History

ICA was founded in 1997 as a subsidiary of Intergas International B.V. ("Intergas International"), which was then owned directly and indirectly by Tractebel. Tractebel was the original holder of the concession rights under the Concession Agreement.

In 1991, following the break up of the former Soviet Union and Kazakhstan's independence, Kazakhstan's gas transportation system was owned and operated by 11 separate regional entities owned, directly and indirectly, by the Government (the "Regional Entities"). In the years following, there was an economic recession in Kazakhstan, and the Government did not have sufficient resources to manage and control the operations of the gas transportation system in Kazakhstan through the Regional Entities. In order to increase the efficiency and unify control of the gas transportation system, the

Government determined to delegate the management of the gas transportation system to a single private company. In October 1996, the Government held a tender for the transfer of the right to operate the Kazakhstan natural gas transportation system. As a result of such tender, Kazakhstan and Tractebel entered into the Concession Agreement.

In 1997, Tractebel transferred all the rights and liabilities under the Concession Agreement to ICA. However, several years after the transfer, the State subsequently deemed the natural gas transportation system in Kazakhstan a strategic national asset, and accordingly in 2000, Tractebel agreed, at the request of the State, to transfer 100 per cent. of its interest in Intergas International, including its 100 per cent. interest in ICA, back to Kazakhstan. For this purpose, the Government established KTG pursuant to a Government resolution dated 5 February 2000, initially as a closed joint stock company and subsequently as a joint stock company. As a result of such transfer, ICA became 100 per cent. indirectly owned by KTG. For further details on the history and background of the Concession Agreement, see “Material Agreements—The Concession Agreement”.

Strengths

Management believes that ICA’s key strengths are:

Support of Kazakhstan. ICA is indirectly wholly-owned by KTG, a wholly-owned subsidiary of KMG, which is in turn wholly-owned by Samruk. ICA is the vehicle through which the State has structured the management of the State’s natural gas pipeline infrastructure, a key strategic asset for Kazakhstan. As such, Management believes that ICA’s rights to operate the State’s pipeline system under the Concession Agreement stand on a firm basis, as evidenced by the term of the Concession Agreement, which runs until 2012 with an automatic extension until 2017, and may be further extended for an additional ten years. Other benefits of this support include:

- enhanced bargaining power in negotiations with ICA’s principal customer, Gazprom, as well as with suppliers;
- ICA involvement, by way of consultation, in the regulation of domestic tariff setting and in other regulatory issues directly or indirectly connected with ICA’s business, including, for example, the participation of ICA in a consulting capacity in the Government’s discussions on Kazakhstan’s accession to the World Trade Organisation;
- joint formulation (with the participation of Samruk, KMG, KTG and ICA) of development and investment plans for the enhancement of the pipeline system, gas storage facilities and compressor stations; and
- ICA participation in the Government’s plans, through Samruk, KMG and KTG, to further develop gas production facilities, which may result in greater gas transmission volumes, enabling ICA to plan accordingly.

See also “Risk Factors—Risks Relating to the Guarantor’s Operations—The Guarantor may not have sufficient funds to finance its capital expenditures”.

Strategically located pipeline infrastructure. At present, approximately 89 per cent. of ICA’s revenues are generated pursuant to the Gazprom Contracts. The strategic location of Kazakhstan’s pipeline system, joining the significant natural gas resources of Turkmenistan and Uzbekistan with the significant demand for natural gas from Russia and, further afield, Europe, provide ICA with significant stability in its relationship with its principal customer, Gazprom. ICA’s relationship with Gazprom as its principal customer dates back to 1997, when ICA (then directly and indirectly owned by Tractebel) became the operator of Kazakhstan’s natural gas pipeline network. Since then, ICA and Gazprom have formalised their relationship through five-year contracts, the latest of which were entered into in November 2005. See “Material Agreements—The Gazprom Contracts”.

Management believes that potential routes providing an alternative to Kazakhstan’s natural gas pipeline network for the transport of Central Asian gas, such as, for example, a proposed pipeline system from Turkmenistan to Azerbaijan over the Caspian Sea and from there to Russia, would be very expensive to build. In addition, Kazakhstan’s location between Turkmenistan and Uzbekistan and China provides significant potential opportunities for playing a significant role in the supply of natural gas from these countries to China, as evidenced in the ongoing negotiations between KMG and China National Petroleum Corporation to build a new pipeline system.

Expected gas transmission volume growth. As a result of increases in natural gas production in Kazakhstan and Turkmenistan, ICA has experienced and is likely to continue to experience continued increases in transmission volumes for Central Asian gas, which grew from 42.5 bcm in 2004 to 48.4 bcm in 2006, and for Kazakh gas for export, which grew from 7.0 bcm in 2004 to 7.8 bcm in 2006. Kazakhstan and Turkmenistan each have proved natural resources of three trillion cubic metres, according to the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan, and natural gas recovery in Kazakhstan has increased from 23.8 bcm in 2004 to 27.01 bcm in 2006, and in Turkmenistan from 74 bcm in 2004 to 120 bcm in 2006. According to the 15-year strategy of the Kazakh Ministry for Energy and Mineral Resources, the country plans to increase its natural gas production to up to 39.8 bcm by 2010, and to 88.1 bcm by 2015. Much of this growth is likely to be supported by significant ongoing investments in existing and new oil and gas fields. In particular, Kazakh gas production is expected to increase significantly in the next four to five years, principally as a result of the commencement of commercial exploitation of the Kashagan oil field, with natural gas reserves estimated at 1.0 tcm, according to public sources, and which is scheduled to commence production sometime in the next four years. In addition, ongoing natural gas recovery investments are being made in the Tengiz oil field operated by TCO, with estimated natural resources of 0.62 tcm.

Robust current and expected end-market demand for gas from Central Asia. The principal end users of ICA's transit and export natural gas are primarily located in Russia, but also in Ukraine and Poland and, to a lesser extent, other European countries. According to information made publicly available by the EIA the non-OECD Europe and Eurasia region is more reliant on natural gas than any other region in the world, with Russia being second only to the United States in total natural gas consumption. According to the World Energy Investment Outlook 2003, total European gas demand will increase to 660 bcm per year in 2010, from 540 bcm per year in 2005, while, of this 660 bcm, 300 bcm will be European import demand. Russia is expected to be able to export approximately 200 bcm of its own natural gas, leaving a gap of 100 bcm which will drive demand for Central Asian gas.

Strong financial performance. Over the last six years, Management has been focused on maintaining the reliability of throughput capacity of its gas transmission network and growing the profitability of its operations. Management believes that partly as a result of these measures, the Guarantor has received a long-term rating of "Baa1" from Moody's, "BB" from Standard and Poor's and "BB+" from Fitch. In addition, ICA achieved growth in its gross profit, operating profit and net profit over the period from 2004 to 2006. The following table sets forth these measures of ICA's financial performance for the periods indicated.

	For the year ended 31 December		
	2004	2005	2006
	(KZT in millions)		
Gross profit.....	25,925.0	29,624.0	44,262.2
Operating profit.....	18,817.2	18,391.1	28,608.1
Net profit	12,273.7	9,860.4	18,705.9

Strategy

The strategic direction of ICA, as the sole operator of Kazakhstan's national gas pipeline infrastructure, is to a large extent determined by the strategic objectives of the Government in relation to Kazakhstan's energy and mineral resources in general, and its gas resources in particular. The fundamental policy documents of the Government in relation to gas natural resources are the Gas Policy Documents issued in 2004. According to the Gas Policy Documents, the key three goals of the Government's gas policy are:

- **Increasing Kazakhstan's gas resource potential and gas production**, which consists of the development of new gas and hydrocarbon deposits with a view to increasing the available natural gas resources of Kazakhstan under the Gas Deposit Initiative and the reconstruction of existing facilities and the development of new facilities at promising oil and gas fields such as Kashagan and Karachaganak to process and utilise natural gas in order to further increase liquefied gas production volumes, and the regulation of gas flaring in oil production to support gas recovery in oil operations under the Gas Production Initiative;
- **Increasing Kazakhstan's gas transit potential**, which will be supported by the reconstruction and upgrading of the existing gas transportation system, the construction of new gas transmission pipelines and the development of new export routes for transportation of natural gas under the Gas Pipeline Initiative; and

- ***Increasing Kazakhstan's gas production to support its energy independence***, which consists of reaching all regions of Kazakhstan and providing locally produced natural gas to consumers in Kazakhstan as a result of the Gas Deposit Initiative, the Gas Production Initiative and the Gas Pipeline Initiative.

ICA's overall strategic plan consists principally of the implementation, together with KTG and KMG, of the Gas Pipeline Initiative. The implementation of this strategy consists of the development of more specific three-year business plans. These business plans are submitted by ICA to KTG and KMG and made a part of the overall business plans adopted by KMG, which in turn submits it to Samruk for approval. The business plans are rolling plans, which are updated annually at the same time as the companies set their budgets for the following year. On 14 November 2006, ICA's direct principal shareholder, Intergas International, approved the 2007-2009 Plan. The 2007-2009 Plan includes the following principal strategic objectives to implement the Gas Pipeline Initiative:

- ***Maintaining and enhancing the reliability and performance of the existing pipeline system***. As at 31 December 2006, ICA had invested approximately KZT 100 billion (US\$735 million) in maintaining and enhancing the reliability of the existing pipeline system. ICA intends to continue to make significant capital investments to improve various segments of the CAC Pipeline in order to ensure its continued reliability. Among the initiatives currently being undertaken in pursuit of this strategic goal are investments in the repair and renovation of various pipeline segments and related infrastructure, the replacement of engines, the removal of defective equipment, and the diagnosis of actual and potential faults in the network.
- ***Increasing the throughput capacity of ICA's existing pipeline system***. Having already made a significant investment in enhancing the reliability of the existing pipeline system, ICA is now in a position to also direct future investment towards upgrading the transit capacity of the existing pipelines. In particular, ICA plans to invest in the CAC Pipeline to increase its existing capacity from 54 bcm to 60 bcm in 2008 by means of two projects referred to elsewhere in the Prospectus as the CAC Pipeline Expansion Projects, expected to be completed in 2008:
 - building a new turbo compressor section at the Oporная station; and
 - building a new pipeline bypass segment.

ICA expects Kazakh gas production to increase in the next four to five years, mainly due to the expected commencement within the next four years of commercial exploitation of the Kashagan oil field, which was discovered in 2000. Moreover, if Gazprom increases transmission volumes of Turkmen gas in 2010 and beyond in order to continue to meet demand from Europe, ICA's intends to make further capital investments to meet increases in transportation volumes. See "—Investment Projects of ICA".

- ***Adopt the latest information technologies for the management of the pipeline network, data gathering and communications***. In order to achieve greater operational efficiency and effective management, ICA has undertaken a number of IT investments, including the installation and implementation of a comprehensive telecommunications and IT network enabling the SCADA system, a unified pipeline monitoring and control system, which is expected to be completed by 2010, and the implementation of an ERP system based on SAP software solutions in order to integrate key management, customer and operational data and processes as a unified system, which is largely completed. ICA had invested US\$17 million as at 31 December 2006 in these projects, and upon completion, ICA's total investments in these projects are expected to be US\$40 million.
- ***Continue to evaluate opportunities for developing new pipeline systems to enhance existing and create new transit routes in order to diversify ICA's customer base***. At present, approximately 89 per cent. of ICA's revenues are derived from the Gazprom Contracts. ICA intends to undertake future investments with a view to diversifying its client base and reducing its reliance on Gazprom, provided always that such investments will offer an appropriate commercial return. In order to harness potential new customer relationships, ICA, KMG, KTG and Samruk are partaking in Government initiatives to evaluate the feasibility of new transit routes, including a potential new route from the CAC Pipeline to Southern Kazakshtan and China. Management believes that the transportation of natural gas to China in particular will increase international transit volumes and decrease the risks arising from the present concentration of ICA's customers. See also "Risk Factors—Risks Relating to the Guarantor's Operations—The Guarantor's revenue is heavily dependent upon the volumes of natural gas transported by Gazprom, which volumes are in turn

dependent on international demand for natural gas” and “—The Guarantor may not have sufficient funds to finance its capital expenditures”.

ICA Principal Business Activities

ICA’s principal business activities are:

- the management, maintenance and operation of the natural gas transportation system of Kazakhstan;
- the transportation of natural gas through a system of pipelines; and
- the storage of natural gas.

Pipelines

The following map sets forth an illustration of ICA’s pipeline system as at 1 April 2007:



ICA is responsible for operating two main pipeline networks:

- the pipeline network through the western territory of Kazakhstan (the “Western Pipeline Network”), which is comprised of three separate pipeline systems:
 - the Central Asian pipeline system (the “Central Asian System”), which includes the CAC pipeline subsystem (the “CAC Pipeline”), consisting of several pipelines running alongside each other denominated the CAC-I (decommissioned and non-operational), CAC-II, CAC-III, CAC-IV, CAC-IV-1, and CAC-IV-2 and CAC-V pipelines; the Makat-Northern Caucas pipeline (the “Makat-Northern Caucas Pipeline”) and the Okarem-Beineu Pipeline (the “Okarem-Beineu Pipeline”);
 - the Soyuz pipeline (the “Soyuz Pipeline”) and the Orenburg-Novopskov pipeline (the “Orenburg-Novopskov Pipeline”) and, together with the Soyuz Pipeline, the “Uralsk System”); and
 - the Aktobe pipeline system (the “Aktobe System”), which includes the Bukhara-Ural pipeline (the “Bukhara-Ural Pipeline”), the Zhanazhol-Oktyabrsk-Aktobe pipeline (the “Zhanazhol-Oktyabrsk-Aktobe Pipeline”) and the Kartaly-Rudnyi-Kustanai pipeline (the “Kartaly-Rudnyi-Kustanai Pipeline”); and
- the pipelines running through the southern region of Kazakhstan (the “Southern Pipeline Network”), which include the Bukhara-Tashkent-Bishkek-Almaty pipeline (the “Bukhara-Tashkent-Bishkek-Almaty Pipeline”) and the Gazli-Shymkent pipeline (the “Gazli-Shymkent Pipeline”).

The following table sets forth certain information with respect to the pipelines operated by ICA:

Pipeline Network	Pipeline System	Pipeline	Year(s) of Construction	Length	Current Throughput Capacity
Western Pipeline Network	Central Asian System	CAC Pipeline	1967 – 1987	5 parallel pipelines, each 886 km in length	54 bcm per year
		Makat-Northern Caucasus Pipeline	1985 – 1987	370 km	12 bcm per year
		Okarem-Beineu Pipeline	1973 – 1975	470 km	5 bcm per year
	Uralsk System	Soyuz Pipeline	1976	424 km	31 bcm per year
		Orenburg-Novopskov Pipeline	1975	382 km	14 bcm per year
	Aktobe System	Bukhara-Ural Pipeline	1963 – 1964	2 parallel pipelines, each 1,175 km in length	26 bcm per year
		Zhanazhol-Oktyabrsk Aktobe Pipeline	1988	270 km	2.8 bcm per year
		Kartaly-Rudnyi-Kustanai Pipeline	1965 – 1977	278 km	2.2 bcm per year
		Bukhara Gas-Tashkent - Bishkek-Almaty Pipeline	1975 – 1999	2 parallel pipelines, each 1,585 km in length	12 bcm per year
Southern Pipeline Network	Gazli-Shymkent Pipeline	1988	314 km	11.5 bcm per year	

(1) The oldest of the five pipelines comprising the CAC Pipeline, CAC-I, has been decommissioned and is non-operational.

The pipeline system operated by ICA was constructed mainly during the 1960s and 1970s. Each of the pipelines constructed during the Soviet era had a certificated lifetime ranging from 20 to 50 years. As at 31 December 2006, 65 per cent. of the pipelines were more than 25 years old, 24 per cent. were 15 to 25 years old, and 11 per cent. of the pipelines were 10 to 15 years old.

As at 31 December 2006, ICA operated approximately 11,000 kilometres of natural gas pipelines, utilised 22 compressor stations equipped with 302 gas compressor units, having a total capacity of 2,078,232 kilowatts, ran 113 natural gas distribution stations and had a total active natural gas storage capacity of 4.2 bcm. The majority of the natural gas transportation system operated by ICA are underground with diameters of 1,000mm, 1,200mm or 1,400 mm.

In 2006, the total volume of natural gas transported by ICA was 121.9 bcm, of which 107.6 bcm was international transit throughput, 7.8 bcm was Kazakhstan gas for export and 6.5 bcm was for domestic consumption. For the year ended 31 December 2006, ICA generated gas transportation revenue of KZT 81.4 billion, which constituted 98 per cent. of ICA's total revenue for that year. See "Management's Discussion and Analysis of Results of Operations and Financial Condition—Explanation of Certain Income Statement Line Items". Of this amount, KZT 75.0 billion in revenue was generated from international transit.

The Western Pipeline Network

The Western Pipeline Network is comprised of the Central Asian System, which includes the CAC Pipeline, the Makat-Northern Caucasus Pipeline and the Okarem-Beineu Pipeline; the Uralsk System, which includes the Soyuz Pipeline and the Orenburg-Novoposkov Pipeline; and the Aktobe System, which includes the Bukhara-Ural Pipeline, the Zhanazhol-Oktyabrsk Aktobe Pipeline and the Kartaly-Rudnyi-Kustanai Pipeline.

The Central Asian System

The Central Asian System runs from the southern Kazakhstan border with Uzbekistan and Turkmenistan to the northern Kazakhstan border with Russia in the north, and branches off northwest and southwest. It consists of three separate main pipelines, as follows:

The CAC Pipeline. The CAC Pipeline runs from the Kazakhstan/Uzbekistan border in the south to the Kazakhstan/Russia border in the north. The CAC Pipeline is the shortest route from the gas-producing regions of Central Asia, principally Turkmenistan and Uzbekistan, through Russia to Europe. Accordingly, the CAC Pipeline is used mainly for the transportation of Uzbek and Turkmen natural gas through Kazakhstan to Gazprom's pipeline networks in Russia, through which natural gas is delivered to Ukraine and Europe.

The CAC Pipeline consists of five parallel gas pipelines, each of which is 886 km in length and 1,000 mm or 1,400 mm in diameter. The five pipelines, which are operated at a maximum working pressure of 5.5-7.5 mPa, have a total existing throughput capacity of 54 bcm per year. ICA is currently in the process of implementing capital investment projects in order to increase its existing capacity from 54 bcm to 60 bcm, with a view to increasing the volume of gas transported from Turkmenistan on behalf of Gazprom and increase volumes of natural gas produced in Kazakhstan. See “—Strategy” and “—Investment Projects of ICA”.

The system of five parallel pipelines allows repair and maintenance operations to be performed on one segment without interruption of the gas transmission through the other segments. The CAC Pipeline was constructed between 1967 and 1987. The oldest pipeline, CAC-I, has been decommissioned and is currently non-operational.

The CAC-II and CAC-IV pipelines have looping facilities along a significant portion of their length, providing better reliability, increased capacity and flexibility for repair.

The CAC Pipeline is equipped with six compressor stations located at Beineu, Opornaya, Kulsary, Makat, Inder and Zhangala.

Makat-Northern Caucasus Pipeline: The Makat-Northern Caucasus Pipeline branches off from the CAC Pipeline at Makat and runs 370 km west across the territory of Kazakhstan. This pipeline is used principally to transport Turkmen natural gas to customers in the Caucasus and Ukraine. The Makat-Northern Caucasus Pipeline consists of one line, which is 1,400 mm in diameter, operates at a working pressure of 7.5 mPa and has a total throughput capacity of 12 bcm per year. The Makat-Northern Caucasus Pipeline was constructed between 1985 and 1987.

The Makat-Northern Caucasus Pipeline is equipped with three compressor stations located at Akkol, Taiman and Redut.

Okarem-Beineu Pipeline: The Okarem-Beineu Pipeline runs 470 km from Turkmenistan across southwestern Kazakhstan and connects to the CAC Pipeline at Beineu. The Okarem-Beineu Pipeline, segments of which have diameters of either 1,000 mm or 1,200 mm, operates at a working pressure of 5.5 mPa and has a throughput capacity of 5 bcm per year. This pipeline is equipped with looping facilities with a total length of 73 km and one compressor station located at Zhana Ozen. The Okarem-Beineu Pipeline was constructed between 1973 and 1975.

For the year ended 31 December 2006, revenue generated by the natural gas transportation through the Central Asian System accounted for 79.4 per cent. of ICA's total transportation revenue.

The Uralsk System

The Uralsk System comprises the portion of the Western Pipeline Network, which runs through the northwestern part of Kazakhstan. It links two segments of the Russian pipeline that are separated by the territory of Kazakhstan and is used to transport Russian natural gas from eastern to western Russia. It consists of two parallel pipelines, as follows:

Soyuz Pipeline: The Soyuz Pipeline runs 424 km pipeline from east to west across northwestern Kazakhstan. This pipeline has a diameter of 1,400 mm, operates at a working pressure of 7.5 mPa and has a throughput capacity of 31 bcm per year. The Soyuz Pipeline is equipped with looping facilities with a total length of 85 km and two compressor stations at Uralsk and Chizha. The Soyuz Pipeline is connected to the CAC Pipeline at the Alexandor Gai compressor station in Russia. The Soyuz Pipeline was constructed in 1976.

Orenburg-Novopskov Pipeline: The Orenburg-Novopskov Pipeline, which runs 382 km, closely tracks the route of the Soyuz Pipeline, also connecting to the CAC Pipeline at the Alexandrov Gai compressor station. This pipeline has a diameter of 1,200 mm, operates at a working pressure of 5.5 mPa and has a throughput capacity of 14 bcm per year. The Orenburg-Novopskov Pipeline shares the Soyuz Pipeline compressor stations. The Orenburg-Novopskov Pipeline was constructed in 1975.

For the year ended 31 December 2006, revenue generated by the natural gas transportation through the Uralsk System accounted for 14.4 per cent. of ICA's total transportation revenue.

The Aktobe System

The Aktobe System runs from the Uzbekistan/Kazakhstan border in the south to the Russia/Kazakhstan border in the north. It consists of three separate main pipelines, as follows:

Bukhara-Ural Pipeline: The Bukhara-Ural Pipeline itself consists of two parallel pipelines, each of which runs 1,175 km across central Kazakhstan from the Uzbekistan/Kazakhstan border in the south to the Russia/Kazakhstan border in the north. This pipeline was constructed to transport natural gas from Uzbekistan to the industrial regions of Russia, but is currently utilised to transport natural gas only as far as central Kazakhstan. This pipeline has a diameter of 1,000 mm, operates at a working pressure of 5.5 mPa and has a total throughput capacity of 26 bcm per year. Because the Bukhara-Ural Pipeline is currently operated at minimum capacity levels, however, it may be utilised to supplement the CAC Pipeline capacity for the transportation of Turkmen natural gas without major capital expenditure. The Bukhara-Ural Pipeline is equipped with five compressor stations located at Krasniy-Oktyabr, Taldik, Shelkar, Northern Usturt and Bozoy. The Bukhara-Ural Pipeline was constructed between 1963 and 1964.

Zhanazhol-Oktyabrsk-Aktobe Pipeline: The Zhanazhol-Oktyabrsk-Aktobe Pipeline runs 270 km to connect natural gas production facilities at natural gas fields in Zhanazhol to the Bukhara-Ural Pipeline. The Zhanazhol-Oktyabrsk-Aktobe Pipeline has a diameter of 500 mm, operates at a working pressure of 7.5 mPa and has a throughput capacity of 2.8 bcm per year. The Zhanazhol-Aktobe pipeline was constructed in 1988.

Kartaly-Rudnyi-Kustanai Pipeline: The Kartaly-Rudnyi-Kustanai Pipeline runs 278 km east to west from Kusanai in Kazakhstan to the Bukhara-Ural Pipeline in Russia. The Kartaly-Rudnyi-Kustanai Pipeline is used for the distribution of natural gas to domestic customers. This pipeline, segments of which have diameters of either 500 mm or 800 mm, operates at a working pressure of 5.5 mPa and has a throughput capacity of 2.2 bcm per year. The Kartaly-Rudnyi-Kustanai Pipeline was constructed between 1965 and 1977.

For the year ended 31 December 2006, revenue generated by the natural gas transportation through the Aktobe System accounted for 4.6 per cent. of ICA's total transportation revenue.

The Southern Pipeline Network

The Southern Pipeline Network runs west to east from the Uzbekistan/Kazakhstan border to Almaty in Kazakhstan.

Bukhara-Tashkent-Bishkek-Almaty Pipeline

The Bukhara-Tashkent-Bishkek-Almaty Pipeline which itself consists of two parallel pipelines, runs 1,585 km from Uzbekistan to Almaty. This pipeline is used to transport Turkmen and Uzbek natural gas to the northern regions of Kyrgyzstan and the southern regions of Kazakhstan. This pipeline, segments of which have diameters of either 500 mm, 700 mm or 1,000 mm, operates at a working pressure of 5.5 mPa and has total throughput capacity of 12 bcm per year. The Bukhara-Tashkent-Bishkek-Almaty Pipeline is equipped with five compressor stations. The Bukhara-Tashkent-Bishkek-Almaty Pipeline was constructed in segments between 1975 and 1999.

Gazli-Shymkent Pipeline

The Gazli-Shymkent Pipeline runs 314 km from west to east across the southern regions of Kazakhstan, connecting the Bukhara-Ural Pipeline at Gazli, Uzbekistan to the Bukhara-Tashkent-Bishkek-Almaty Pipeline at Shymkent in Kazakhstan. This pipeline has a diameter of 1,200 mm, operates at a working pressure of 7.5 mPa and has a throughput capacity of 11.5 bcm per year. The pipeline was constructed in 1988.

For the year ended 31 December 2006, revenue generated by the natural gas transportation through the Southern Pipeline Network accounted for 1.6 per cent. of ICA's total transportation revenue.

Compressor Stations

Natural gas is highly pressurised as it travels through the pipelines. To ensure that the natural gas flowing through any one pipeline remains pressurised, compression of this natural gas is required periodically along the pipe. This is accomplished by compressor stations. ICA's natural gas transportation system has a total of 22 compressor stations. The average distance between ICA's compressor stations is between 200 km and 250 km. The natural gas enters the compressor stations, where it is compressed by gas turbines and gas pumps, many of which were manufactured in the former Soviet Union. The turbines and other compressor equipment are regularly tested. If necessary, in some pipelines, the gas flow direction in a pipeline can be reversed by switching the input and output at the compressor stations.

As part of its programme to upgrade its existing infrastructure, in 2005, ICA entered into an agreement with MAN Turbo AG for the design, supply of equipment and construction works on the compressor station at Opornaya GP located on the CAC Pipeline. See "Material Agreements—the MAN Turbo Contract". The total amount of ICA's investment was EUR 98 million, of which EUR 45 million was provided by a loan guaranteed by HERMES (German Export Credit Agency). See "Management's Discussion and Analysis of Results of Operations and Financial Condition—Liquidity and Capital Resources—Indebtedness".

Gas Distribution Stations

ICA operates 113 natural gas distribution stations. These stations are used to step down pressure, deliver natural gas to consumer pipelines, purify gas, inject odorant and metre natural gas. The majority of these stations were constructed 30 to 35 years ago. ICA is installing additional natural gas metres manufactured in accordance with international specifications in order to improve its collection of revenue, in addition to performing regular maintenance and general repairs on the stations.

Storage Reservoirs

ICA runs three underground natural gas storage reservoirs, as follows:

- the Bazoyskoe storage facility located in the Aktubinsk Region (the Aral Sea area) near the Uzbekistan/Kazakhstan border, which has the capacity to store 3.5 bcm of active natural gas, which is delivered to and shipped from the Bazoiskoye storage facility through the Bukhara-Ural Pipeline and includes two reservoirs, one constructed in 1974 and the other in 1984;
- the Poltoratskoye storage facility located in southern Kazakhstan near Tashkent, Uzbekistan, which was constructed in 1965 and has the capacity to store 0.4 bcm of active gas, which is delivered to and shipped from the Poltoratskoye storage facility through the Bukhara-Tashkent-Bishkek-Almaty Pipeline; and
- the Akyrtobinskoye storage facility located in southeastern Kazakhstan, which was constructed in 1986 and has the capacity to store 0.3 bcm of active gas, which is delivered to and shipped from the Akyrtobinskoye storage facility through the Bukhara-Tashkent-Bishkek-Almaty pipeline.

ICA sells space in its storage reservoirs to natural gas traders and distributors and other third parties engaged in gas distribution in Kazakhstan, which use the facilities to secure reserves to meet the increased demand caused by cold winters and other seasonal consumption trends, to provide reserves for use in the event of natural gas transportation failures and to accumulate state strategic reserves. The stored natural gas is owned by the traders and distributors utilising the storage space and not by ICA. For the year ended 31 December 2006, the average percentage of storage capacity used was 24 per cent., as compared with 21 per cent. for the year ended 31 December 2005. As at 31 December 2006, the total volume of natural gas stored at ICA's storage reservoirs was 1.0 bcm.

Tariffs

Gas Transportation Tariffs

Under the Law on Natural Monopolies and the Concession Agreement, ICA's tariffs for domestic natural gas transportation are subject to regulation by the Anti-Monopoly Agency. Under the Concession Agreement, Kazakhstan has agreed that ICA is entitled to freely negotiate, determine and agree on international transportation tariffs with their international transit contractor counterparties.

Domestic Tariffs: Tariffs for domestic transportation are subject to regulation and approval by the Anti-Monopoly Agency. Once approved, the tariffs remain in effect subject to ICA's right to apply to the Anti-Monopoly Agency with a request to review and modify such tariffs. The Anti-Monopoly Agency also has the right to initiate a review of the domestic transportation tariffs. In the last three years, the Anti-Monopoly Agency has routinely reviewed domestic gas tariffs upon the request of third parties, but no major tariff increases or decreases have been required as a result of such reviews. ICA's domestic transportation tariffs are significantly impacted by social and political considerations and have historically been kept at artificially low levels. Domestic tariffs contributed 2.8 per cent. of ICA's revenues for the year ended 31 December 2006.

Pursuant to the tariff calculation methodology for the transportation of natural gas for domestic consumers as adopted by the Anti-Monopoly Agency, the domestic transportation tariffs are fixed in KZT for the transportation of 1,000 cubic metres of natural gas, without regard to transportation distance. The tariffs are differentiated for various groups of customers:

- for legal entities supplying gas to residential clients - KZT 171 per 1,000cm;
- for legal entities engaged in the generation of thermal energy - KZT 171 per 1,000cm; and
- for other legal entities - KZT 420 per 1,000cm

International Tariffs: Under the Concession Agreement, tariffs for the international transportation of natural gas are not subject to Government regulation. Historically, prior to 2005, international tariffs were fixed annually on a case-by-case basis pursuant to contracts with customers, mainly Gazprom.

The methodology followed by ICA to set tariffs for international transit is based on a widely used model, which provides that tariffs are generally a function of costs plus the average rate of return on fixed assets and expressed as a rate based on the volume of transported gas and the distance the natural gas is transported. When considering a return on fixed assets and investments, ICA takes into account its ongoing maintenance capital expenditures in order to ensure that it will be able to maintain the stable transit of all contracted international volumes of natural gas.

Since 1 January 2006, under the Gazprom Contracts, tariffs for all international transit gas services provided to Gazprom, which in 2006 accounted for 89 per cent. of ICA's total revenues, have been fixed at US\$1.1 per 1,000 cubic metres of natural gas transported over 100 km of pipelines. These tariffs are applicable on all transit volumes under contract with Gazprom until 2010. These tariffs represent an approximate 22 per cent. increase for Russian gas transit, and an approximate 45 per cent. increase for Central Asian gas transit, over 2005 rates. In connection with the negotiated tariff increase, ICA agreed to increased investments in relation to the CAC Pipeline Expansion Projects. ICA is undertaking the CAC Pipeline Expansion Projects in order to increase the capacity of the CAC Pipeline, in part to ensure that the CAC Pipeline will be able to meet Gazprom's increased gas transport requirements for that region. See "Management's Discussion and Analysis of Results of Operations and Financial Condition—Capital Expenditures". Further, in connection with the Turkmen/Uzbek Gas Transit Contract, Gazprom has agreed to a "80/20 take-or-pay" mechanism which requires Gazprom to pay for at least 80 per cent. of the agreed volumes regardless of the amount of volumes actually required by it to be transported by ICA. See "Material Agreements—The Gazprom Contracts".

The following table sets forth, for the periods indicated, ICA's tariffs for the international transit and export of natural gas:

	For the year ended 31 December		
	2004	2005	2006
	<i>(US\$ per 1,000 m³ per 100 km)</i>		
Russian gas (transit)	0.90	0.90	1.10
Turkmen & Uzbek gas (transit)	0.68	0.76	1.10
Kazakh gas (export).....	0.76 - 0.9	0.76 - 0.9	1.10

Gas Storage Tariffs

Tariffs for the storage of natural gas are subject to regulation by the Anti-Monopoly Agency as this service is deemed to be a domestic activity of a natural monopoly. Pursuant to applicable regulations of the Anti-Monopoly Agency, storage tariffs are fixed at KZT 4.87 for the storage of 1,000 cubic metres of natural gas for one month. The storing of gas in ICA's underground gas storage facilities that is designated for further supply outside Kazakhstan is subject to negotiated tariffs.

Gas Transportation Volumes and Revenue

Gas Transportation Volumes

For the years ended 31 December 2004, 2005 and 2006, international natural gas transportation volumes represented 95.8 per cent., 95.6 per cent. and 94.6 per cent. of ICA's total transportation volume for the same periods, respectively.

The following table sets forth a breakdown, by type of volume, of the volume of natural gas transported through the natural gas transportation system operated by ICA in the years ended 31 December 2004, 2005 and 2006:

Type of Volume	Pipeline	Principal Customer	2004	2005	2006
			<i>(bcm)</i>		
International volume					
Volume of Russian gas.....	Uralsk Pipeline	Gazprom	66.3	69.9	58.7
Volume of Turkmen gas	CAC Pipeline	Gazprom	36.0	38.7	39.1
Volume of Uzbek gas.....	CAC Pipeline	Gazprom	6.4	7.4	9.3
Volume of Uzbek gas for consumers in northern Kyrgystan	Southern Pipeline Network	Consumers in northern Kyrgystan	0.7	0.6	0.6
Total international volume			109.5	116.7	107.6
Volume of Kazakhstan gas for export..	Principally CAC Pipeline, Uralsk Pipeline and Southern Pipeline Network	TCO, Tolkynnefte gas, Asia Inter Trans	7.0	7.5	7.8
Domestic volume.....	Principally Kartaly- Rudnyi-Kustanai Pipeline and Bukhara-Tashkent- Bishkek-Almaty Pipeline	KTGD	5.1	6.0	6.5
Total volume			121.6	129.9	121.9

For the year ended 31 December 2006, the transportation of Russian natural gas represented 48.1 per cent. of total natural gas transportation and 54.5 per cent. of international transit volumes, while the transportation of Turkmen natural gas represented 32.0 per cent. of total natural gas transportation and 36.3 per cent. of international transit volumes of ICA. For the year ended 31 December 2005, the transportation of Russian natural gas represented 53.8 per cent. of total natural gas transportation and 59.9 per cent. of international transit volumes of ICA, while the transportation of Turkmen natural gas represented 29.8 per cent. of total natural gas transportation and 33.2 per cent. of international transit volumes of ICA. Although the current volume of Turkmen natural gas transported through the CAC Pipeline is lower than the volume of Russian natural gas transported by ICA, revenues generated from the CAC Pipeline are substantially higher than those related to the transportation of Russian natural gas

via the Orenburg-Novopskov Pipeline due to the longer transportation distances. Revenues from the Turkmen/Uzbek Gas Transit Contract accounted for 78 per cent. of ICA's total natural gas transportation revenue and 85 per cent. of international gas transportation revenue in 2006, while the Russian Gas Transit Contract accounted for approximately 13 per cent. of ICA's total natural gas transportation revenue and 14 per cent. of international transportation revenues in 2006. See "Management's Discussion and Analysis of Results of Operations and Financial Condition—Factors Affecting Results of Operations—Gas Transportation Tariffs".

In 2003, the Presidents of Russia and Turkmenistan concluded an agreement on cooperation in the natural gas sector. This agreement, which was entered into by Gazprom, came into force on 1 January 2004 for a term of 25 years. Following the capacity increases resulting from the reconstruction of the CAC Pipeline and the improved utilisation of the Aktobe Pipeline, Management estimates that gas purchases could reach 60-70 bcm in 2007 and 70-80 bcm annually from 2009 to 2028.

The volume of Kazakhstan natural gas exported through the natural gas transportation system operated by ICA continued to increase in 2006 to 7.8 bcm (0.98bcm in 2001) mainly as a result of increased production at the Tengiz and Karachaganak oil and natural gas fields in western Kazakhstan and the establishment of JV KazRosGas, a 50-50 joint venture between KazMunaiGas and Gazprom, created to promote gas trading activities.

Gas Transportation Revenue

For the years ended 31 December 2004, 2005 and 2006, natural gas transportation revenue represented 99.8 per cent., 99.3 per cent. and 97.6 per cent. of ICA's total revenue, respectively. For a breakdown, by type of revenue, of ICA's natural gas transportation revenue in 2004, 2005 and 2006, see "Management's Discussion and Analysis of Results of Operations and Financial Condition—Factors Affecting Results of Operations—Gas Transportation Tariffs".

Customers and Marketing

Gazprom (together with its affiliates) is the main recipient of gas transmitted by ICA under the Gazprom Contracts. ICA and the owners of the gas sign the contracts for gas transportation. The owner of Russian, Uzbek and Turkmen natural gas transported by ICA is Gazprom. The tariff for international gas transit is in accordance with the contracts between ICA and Gazprom. See "Material Agreements—The Gazprom Contracts".

Gazprom has an interest in the modernisation and reconstruction of Kazakhstan's transit pipelines, which Management believe led to Gazprom agreeing to the tariff increase which started from the beginning of 2006 and has helped to fund ICA's capital expenditures. See "Management's Discussion and Analysis of Results of Operations and Financial Condition—Capital Expenditures". Ultimately, the end consumers of the gas transported by ICA under its contracts with Gazprom are Gazprom's Russian, Polish, Ukrainian and European customers. ICA's other natural gas international transit customers include KazRosGas, Kyrgyzgas and TCO.

ICA does not undertake significant marketing activities, including, for example, advertising campaigns.

Investment Projects of ICA

ICA's 2007-2009 Plan includes a number of investment projects designed to maintain and enhance the reliability and performance of the existing pipeline system; increase the throughput capacity of ICA's existing pipeline system; and adopt the latest information technologies for the management of the pipeline network, data gathering and communications. The principal projects undertaken, or to be undertaken, by ICA include the following:

Implementing the CAC Pipeline Expansion Projects

In order to improve the throughput capacity of the CAC Pipeline, ICA is currently undertaking the CAC Pipeline Expansion Projects, including: (i) the Oporaya Turbo Compressor Project, which is the construction of a new turbo compressor section at the Oporaya station, the work on which has been contracted out to MAN Turbo AG and is expected to be completed in 2008; and (ii) the Bypass Segment Project, which is the construction of a new pipeline bypass segment, the work on which has been contracted out to KazStroyService and is expected to be completed in 2008. Together, these projects are expected to increase the throughput capacity of the CAC Pipeline from its current 54 bcm per year to 60 bcm per year. As at 31 December 2006, ICA had invested approximately KZT 46,014 million in the CAC Pipeline Expansion Projects and plans to invest an additional KZT 36,101 million to complete the

CAC Pipeline Expansion Projects. See “—Strategy” and “Management’s Discussion and Analysis of Results of Operations and Financial Condition—Liquidity and Capital Resources—Capital Expenditures”.

Structural Dispatcher Control and Data Collection System (SCADA)

ICA had, as at 31 December 2006, already invested approximately US\$17 million and plans to invest an additional US\$23 million through 2008 to complete the installation of the SCADA system, which consists of fully integrated and automated technology systems for the control, maintenance and operation of the natural gas transportation system operated by ICA. The system is expected to be completed in 2010.

The SCADA system is designed to permit centralised automated control of the natural gas transportation system operated by ICA and compressor stations and to provide system-wide monitoring of all pipeline activities. When completed, the SCADA system will consist of monitoring units along the main pipelines of the natural gas transportation system operated by ICA and a central dispatch unit at ICA’s headquarters, which will allow on-line monitoring of the pipelines. In connection with the implementation of the SCADA system, the operation of ICA’s compressor and heating stations will be automated and integrated and become subject to central monitoring and remote control management. ICA expects the SCADA system to lower personnel costs and improve the efficiency and reliability of its operations.

The SCADA system is also designed to detect leaks throughout the pipeline system and to provide fire and gas alarms. In addition SCADA’s automated system is designed to rationalise the use of electric power, which is necessary for the operation of the pipeline system’s compressor and heating systems, and promote significant energy savings.

Installation of the SAP System

The SAP software system is designed to manage various resources of ICA through a unified software system. The SAP system consists of five modules, covering financial management, asset management, material management, sales and control and distribution. The tender for the acquisition of required equipment and consulting services for the implementation of the SAP system was won by SAP A.G., in December 2003. As at 31 December 2006, ICA had expended US\$6.9 million for the initial phases of the project. A pilot programme was initiated in August 2004 and was completed in 2005, and it is anticipated that the project will be fully implemented in 2010. Management estimates the total cost of this project to be US\$12 million.

Upgrading the Telecommunications Systems

The upgrading of ICA’s telecommunications system is linked to the implementation of the SCADA system. In this connection, fibre optic transmission lines, ground-based satellite communication stations, digital automated telephone switching and transfer stations, radio communications and radio relays will be added to ICA’s telecommunications system. Management expects that modernisation of the telecommunications system will be completed by 2011. The upgraded telecommunications system will also be designed to support ICA’s SAP system.

Maintenance and Technology

The principal maintenance and repair activities consist of the repair or replacement of pipeline segments that have become corroded and the repair of compressor stations in accordance with scheduled maintenance. ICA spent KZT 14.1 billion, KZT 27.4 billion and KZT 20.5 billion in 2004, 2005 and 2006, respectively, and plans to spend an additional KZT 14.9 billion in 2007, for repairs and maintenance of pipelines (including, in particular, for the electrochemical protection of pipes), compressor stations and surveillance systems. Management believes all of ICA’s major facilities are currently in satisfactory operating condition. See “Management’s Discussion and Analysis of Results of Operations and Financial Condition—Liquidity and Capital Resources—Capital Expenditures”.

ICA’s Division of Diagnostics oversees the process for maintenance and repair of pipelines. Maintenance and repair work is performed by both ICA itself and by independent contractors, with independent contractors being responsible for approximately 80 per cent. of the work. Maintenance workers are located at each compressor station both to perform regularly scheduled maintenance and to be available in the event of any emergency. ICA has regional dispatch units, each equipped with surveillance system to detect gas leaks or changes in pressure that would indicate a damaged pipeline. If a problem is detected, maintenance workers from the nearest compressor station, or independent contractors, are

dispatched to the location to conduct the repairs. All repair units are equipped with the necessary laboratory equipment, bulldozers, cranes and trucks. The land surrounding the pipelines is primarily greenfields that is the property of the State, which enables ICA's maintenance and repair teams to easily access ICA's pipelines. The Division of Diagnostics also performs continuous maintenance evaluation and has implemented mechanisms for determining whether an old or corroded pipeline requires repair or whether it must be replaced.

ICA is in the process of installing the SCADA surveillance system, which is designed to permit centralised automated control of the natural gas transportation system operated by ICA and compressor stations and to provide system-wide monitoring of all pipeline activities. ICA intends to complete the installation of the entire SCADA system by 2010. See “—Investment Projects of ICA”.

Research and Development

ICA's principal research and development activities are conducted through its Division of Diagnostics, which is comprised of approximately 150 employees. These activities consist primarily of on- and off-the field evaluation of and research into methods and materials for (i) diagnosis of the operational integrity of the pipeline systems, (ii) repairing corroded pipeline segments, (iii) enhancing throughput reliability, (iv) reducing the incidence and cost of subsurface damage, (v) improving the construction, maintenance and repair of the pipeline system and compressor units and (vi) reducing the environmental impact of ICA's operations. ICA's employees also collaborate with researchers at Kazakh, Russian and other international technical and academic institutions and industry-wide professional bodies in connection with ICA's research and development activities. For each of the years ended 31 December 2004, 2005 and 2006, ICA spent approximately KZT 184.9 million, KZT 349.3 million and KZT 592.3 million on research and development activities.

Competition

Kazakhstan occupies a favourable geographical position as a transit country between major gas producers in Turkmenistan, Uzbekistan and Russia and large gas consumption centres in eastern and western Europe. ICA is the monopoly operator of the gas transportation system in Kazakhstan and, accordingly, does not face competition for this international transit business or for domestic gas transportation.

ICA may, however, face some competition from outside Kazakhstan in the future. Management expects that such competition could come from Iran or Turkmenistan, or both.

The Iranian government believes it has 26,320 bcm in proven natural gas reserves, which are reported to be the world's second largest natural gas reserves, surpassed only by the Russian natural gas reserves. Up to 62 per cent. of Iran's natural gas reserves are located in undeveloped non-associated fields, including south Pars (with reserves of 7,840-14,000 bcm), north Pars (with reserves of 1,400 bcm), Kangan (with reserves of 812 bcm), Nar (with reserves of 364 bcm) and Khangiran (with reserves of 308 bcm). Accordingly, Iran appears to have the potential for significant natural gas production.

A pipeline has been constructed to export natural gas from Iran to Turkey. While this pipeline handles relatively small volumes of natural gas, Iran is also considering developing transportation systems to transport natural gas to Ukraine, Europe, India, Pakistan, Armenia, Azerbaijan, Georgia, Taiwan, South Korea and coastal China. Exports could be transported through pipelines or by tankers. Iran's development of these types of export capabilities could pose a competitive threat to ICA. However, Management believes that the sanctions imposed by the United States against Iran are likely to hinder any such development of trade with Iran, at least in the near term.

Iran imports some natural gas from Turkmenistan for use in parts of northern Iran, which are located far from the country's main natural gas reserves in the south. In December 1997, Turkmenistan launched the US\$190 million Korpezhe-Kurt Kui pipeline to Iran, the first natural gas export pipeline in Central Asia to by-pass Kazakhstan. According to the terms of a 25-year contract between Turkmenistan and Iran, Iran may import natural gas from Turkmenistan. Management believes, however, that, given the availability of Iran's own significant natural gas reserves, the volume of Turkmen natural gas imported by Iran will not affect the development of additional quantities to be shipped thorough the CAC Pipeline.

In December 2001, Armenia entered into an agreement with Turkmenistan, pursuant to which Turkmenistan will supply up to 2 bcm per year of natural gas to Armenia and, in May 2004, Armenia entered into a separate agreement with Iran, pursuant to which Iran will supply up to 36.4 bcm of natural gas to Armenia over 20 years starting in 2007. Although the supply of natural gas under both of these

agreements will by-pass the natural gas transportation system operated by ICA, the supply arrangements are, in each case, contingent on the construction of new pipelines.

While Gazprom has indicated that its purchases of natural gas from Turkmenistan are expected to constitute a significant proportion of Gazprom's total sales volumes in the coming years, these purchases are expected to decline in importance in the event that Gazprom brings new production fields on-stream as planned after 2008 and particularly in the event that Gazprom brings the fields in the Yamal Peninsula on-stream as planned after 2010. In addition, in the long-term, Turkmenistan is considering construction of a pipeline to deliver Turkmenistan natural gas to Europe, which will by-pass a section of the CAC Pipeline operated by ICA.

While Management believes that the likelihood of ICA becoming subject to significant competition remains remote, at least in the near to medium term, any of the above-described developments, if implemented, could result in ICA facing increased competition.

Legal Proceedings

ICA is from time to time the subject of legal proceedings and other investigations in the ordinary course of its business. During the the preceding 12 months, these proceedings or other investigations have not had significant effects on ICA's financial position or profitability. In addition, Management is not aware of any pending or threatened claims or litigation which may be material to its financial condition or results of operations.

Property

The substantial majority of properties utilised in ICA's business are held under the Concession Agreement. See "Material Agreements—The Concession Agreement". ICA owns the following principal properties: (i) administrative buildings comprising the headquarters of ICA and certain facilities; (ii) assets comprising the newly constructed segments of the gas transportation system owned and operated by ICA, which are not covered by the Concession Agreement, and equipment relating thereto; and (iii) the land plots upon which certain facilities and administrative buildings are constructed. The net book value of ICA's principal property, plant and equipment was KZT 98.4 billion as at 31 December 2006.

ICA's leased property primarily includes the land plots upon which the assets covered by the Concession Agreement are located.

Insurance

ICA maintains insurance coverage over the assets subject to the Concession Agreement under a policy issued by JSC Kazakhinstrakh, a related party of ICA, on 19 October 2006. The policy provides coverage for losses of up to KZT 12.7 billion per year in the aggregate and for each single occurrence. See "—Transactions between ICA and Related Parties". ICA also maintains third party liability insurance, which includes coverage for environmental liabilities. The policy provides coverage for losses of up to KZT 382.2 million per year in the aggregate. These policies are reinsured in the international insurance markets. ICA maintains insurance for environmental damages for KZT 17.5 million in the aggregate. In addition, ICA maintains mandatory insurance coverage with regard to its employees and vehicles. Management believes that its insurance programmes in force at present provide satisfactory coverage for its business and operations, but see "Risk Factors—Risks Relating to the Guarantor's Operations—The Guarantor's insurance cover may be inadequate".

Anti-Monopoly Regulation

ICA is regulated by the Anti-Monopoly Agency as a "natural monopoly" under the Law on Natural Monopolies of Kazakhstan. These laws limit ICA's activities to those that are related to the provision of natural gas transportation services.

The Anti-Monopoly Agency is responsible for reviewing and approving ICA's domestic tariffs. See "—Tariffs". The Anti-Monopoly Agency also approves changes of more than 20 per cent. in the ownership of natural monopolies and sets forth requirements for transparent and competitive procurement policies.

Environmental Regulation

In January 2007, a new environmental code, the Environmental Code of Kazakhstan No. 212-III 3PK, was enacted in Kazakhstan that imposes a stricter environmental compliance regime. The new code

consolidates the existing Kazakh environmental regulations while adopting more complex and stringent environmental regulations based on certain international standards. Under the existing regime, ICA has been, and will, under the new regime, continue to be, subject to periodic inspections by Government environmental protection agencies.

Under the existing regime, ICA has all material environmental permits required for its operations in Kazakhstan. However, ICA will need to apply for new permits under the new regime, including permits which have been introduced for environmental emissions and a “complex environmental permit”, which will eventually replace the permits issued under the existing regime.

ICA regularly monitors its compliance with the environmental laws and regulations applicable to it and has budgeted KZT 534 million in 2007 to improve its environmental performance. In 2006, ICA paid fines totalling KZT 12 million for violations of various environmental regulations, mainly for exceeding permissible levels of air, water and wastes discharges. Management does not believe these violations are material.

As of the date of this Prospectus, Management believes that ICA is in material compliance with environmental laws and regulations applicable to it.

ICA received its ISO 9001:2000 certification in February 2006, which is valid until 1 February 2009. In February 2007, ICA conducted an international environmental management system compliance certification audit with TUV CERT (Germany) in order to obtain an ISO 14001:2004 certification, which it expects to receive in May 2007.

Transactions between ICA and Related Parties

Gas transportation services rendered by ICA to related parties, principally to KazRosGas, generated revenue of KZT 6.2 billion for the year ended 31 December 2006, as compared to KZT 4.3 billion for the year ended 31 December 2005. Related party revenue for 2006 was higher than for 2005 principally as a result of the increase in revenue for the transportation of export natural gas.

On 2 October 2001, KTG concluded a commercial support agreement (the “CSA”) with ICA. Pursuant to the terms and conditions of the CSA, as amended, KTG agreed to provide services to ICA relating to the optimisation and overall management and administration of the assets subject to the Concession Agreement, including, but not limited to, the procurement of materials and services, informational services, risk analysis, the development of prospective transportation routes and the management of investment projects. KTG has also agreed to provide technical support to ICA throughout the term of the Concession Agreement. The CSA is automatically renewable each year unless the parties otherwise agree.

In consideration for the services provided under the CSA, ICA pays KTG a monthly management fee. In 2004, 2005 and 2006, ICA paid management fees to KTG totalling KZT 2.7 billion, KZT 2.7 billion and KZT 3.3 billion, respectively. To date in 2007, ICA has paid management fees of KZT 0.8 billion.

ICA regularly provides loans, or financial support, to enterprises in which a substantial voting power is owned by ICA’s key management personnel, KMG Group companies, and entities controlled by the Government. These loans, which are provided on an interest free basis, are provided for such purposes as for financing of operating activities or for financing of construction projects. The fair value of the financial support to related parties as at 31 December 2006 was KZT 18,775.4 million. See note 25 to the Financial Statements of ICA and “Management’s Discussion and Analysis of Results of Operations and Financial Condition—Critical Accounting Policies and Estimates and Depreciation and Amortisation—Explanation of Certain Income Statement Line Items—Finance costs”.

ICA maintains insurance coverage over the assets subject to the Concession Agreement under a policy issued by JSC Kazakhinstrakh, which is a related party of ICA, as it is an entity controlled by a member of KMG’s management. ICA also maintains employer insurance coverage under a policy issued by JSC Kazakhinstrakh. See “—Insurance”.

MATERIAL AGREEMENTS

The Concession Agreement

ICA carries out its operations on the basis of the Concession Agreement entered into on 14 June 1997 between Kazakhstan, represented by the State Property Management Department, and Tractebel, the former operator which subsequently transferred and assigned its rights to ICA. Under the Concession Agreement, ICA has the right to operate, maintain and improve the natural gas transportation system within Kazakhstan, including natural gas transportation and storage facilities. Pursuant to the Concession Agreement, ICA also has the right to use the land related to the assets covered by the Concession Agreement in order to enable ICA to operate these assets. ICA's rights under the Concession Agreement are referred to in this Prospectus as the "Concession". The initial term of the Concession Agreement runs until 2012, and it is then automatically extendable until 2017, with two further five-year extensions to be agreed by the parties.

Under the Concession Agreement, ICA has been, in the period from 1 January 2004 through 31 December 2006, and will be, required to make the following annual payments to the State:

- from 1 January 2004 until 31 December 2005, ICA was required to pay to the State an amount equal to 10 per cent. of its annual net profits;
- in 2006 and 2007, ICA has been and will be required to pay to the State a fixed amount of KZT 1,085,797,110 per year; and
- with respect to periods after 2007, the parties have agreed to negotiate by 1 January 2008 the amount of annual fees to be paid from 1 January 2008 until 31 December 2012, and by 1 January 2013 the amount of annual fees to be paid from 1 January 2013 until 31 December 2017, and if the parties fail to reach agreement by 1 January 2008 and 1 January 2013, respectively, they have agreed that ICA will pay a fixed amount of KZT 2,082,287,100 per year during each of those periods.

In addition, ICA is obligated to pay a royalty to Kazakhstan in the amount equal to 2.0 per cent. of the throughput volume of natural gas in the Western Pipeline Network. However, in accordance with the agreement on the transfer of natural gas contracts from the Regional Entities to ICA dated 4 July 1997, the royalty becomes due and payable only upon the issue by the Government of a resolution or an order advising customers of the Western Pipeline Network of their corresponding obligation to pay a royalty to ICA. As of the date of this Prospectus, no such resolution or decree had been issued by the Government and, accordingly, ICA has not been charging a royalty to its customers or paying a royalty to Kazakhstan.

According to the Concession Agreement, ICA is also obliged to make annual payments of US\$100,000 as expenses related to environmental protection. Such payments could be increased if ICA exceeds the limits of waste disposal set forth in the applicable environmental protection legislation.

Management believes that, as of the date of this Prospectus, all amounts due and required to be paid by ICA to Kazakhstan under the Concession Agreement, as an allocation of net profits or royalties, have been paid.

Under the Concession Agreement, ICA is obligated, subject to certain conditions as outlined below, to undertake improvements, repairs and new investments during the initial fifteen-year term of the Concession period of not less than US\$30 million per year and not less than US\$450 million in the aggregate (the "Investment Commitment"). Investments, which count towards the fulfilment of the Investment Commitment, include (i) improvements to and repairs of Concession assets, acquisitions of strategic and day-to-day equipment required to operate the existing Concession assets and replacements of minor components of such assets ("Improvements"); and (ii) investments in newly constructed natural gas transportation assets ("New Investments"). The Concession Agreement stipulates that Improvements and New Investments undertaken to fulfil the Investment Commitment shall be financed out of ICA's own funds or from borrowings. As at 31 December 2006, ICA has invested in excess of an aggregate of US\$600 million in Improvements and New Investments and Management believes that ICA has therefore fulfilled its Investment Commitment.

ICA has committed to make similar investments during the first five-year extension of the Concession period of not less than US\$30 million per year and not less than US\$150 million in the aggregate by the end of the fifth year of such extension period. The level of investment required during any further extension period will be negotiated separately between the parties.

ICA's obligation to make Improvements to Concession assets primarily used for natural gas transportation is contingent upon: (i) in relation to domestic transportation, ICA concluding an investment support agreement with relevant authorised state agencies providing, inter alia, for an adjustment of internal natural gas tariffs and throughput natural gas transportation and storage volumes remaining stable as compared to 1996 levels; and (ii) in relation to international transportation, throughput transportation volumes remaining stable as compared to the 1996 level and the terms of natural gas transportation and storage contracts being no less favourable than existing terms.

ICA may finance its obligations in respect of making Improvements to Concession by using its own cashflows, by borrowing on commercial terms and through loans financed or guaranteed by ICA on commercial terms.

New Investments mandated under the Concession Agreement include (i) the construction of a natural gas transportation link to the city of Astana and the construction of a new pipeline connecting Kazakhstan to China (the "New Assets") and (ii) the rehabilitation or replacement of certain compressors along the Makat-Northern Caucasus Pipeline, the replacement of certain segments of the Southern Pipeline Network and the replacement of certain compressors at the Poltoratskoye underground gas storage ("Enhancements"). See "Description of ICA—Pipelines" and "Description of ICA—Investment Projects of ICA". ICA's obligation to make New Investments, including to construct the New Assets and effect the Enhancements, is contingent upon: (i) a demonstration of the feasibility and necessity of such New Investments; and (ii) in relation to the domestic transportation system, the conclusion of an agreement with an authorised state agency granting ICA certain tax and other privileges and the conclusion of transportation contracts with customers providing for a level of throughput volumes satisfactory to ICA. Upon the expiration of the Concession period (as it may be extended), ICA is obligated to transfer the Enhancements for the benefit of Kazakhstan at their then current market value less depreciation. ICA may freely dispose of the New Assets, provided that Kazakhstan is offered a right of first refusal on arms-length terms and conditions.

The Concession Agreement further provides that ICA shall construct a pipeline by-passing the territory of Kyrgyz Republic for the transportation of natural gas to the southern regions of Kazakhstan (the "Kyrgyz By-Pass") at an estimated value of US\$90-100 million. See "Description of ICA—Investment Projects of ICA". ICA will be required to transfer this asset, if constructed, to Kazakhstan for US\$1 at the later of the end of the Concession period or twenty years following the completion of the by-pass. The obligation to construct the Kyrgyz By-Pass, however, is contingent upon the approval by the Government of domestic gas tariffs, which include the anticipated costs of the Kyrgyz By-Pass. Management is not aware that such tariffs have been approved and, therefore, although ICA has not commenced work on the Kyrgyz By-Pass project, Management believes that ICA has taken all steps required to be taken by it as of the date of this Prospectus with respect to the construction of the Kyrgyz By-Pass.

ICA may finance the New Investments partly by borrowing through its affiliated investment companies and partly through loans financed or guaranteed by ICA or its affiliates on commercial terms.

At the end of the Concession period (including any extension thereof), KTG is obligated to transfer its shares in ICA to Kazakhstan for the amount of US\$1, plus an amount equal to the net book value of the assets of ICA at the time of such transfer, including the value of any Improvements (as defined below), which have not been fully depreciated or expensed for accounting purposes.

At the time of the initial execution of the Concession Agreement, title to the assets comprising the natural gas transportation system in Kazakhstan was held by the Regional Entities and not by the State itself. In order to properly reflect these facts, an agreement supplementing the Concession Agreement was made on 24 June 1997, pursuant to which the Regional Entities joined the Concession Agreement as parties.

On 23 July 1997, Tractebel assigned all its rights, privileges, powers, obligations, duties, liabilities and undertakings under the Concession Agreement to ICA for a consideration of US\$30.0 million pursuant to an assignment agreement. Further to the supplemental agreement of 24 June 1997 and the assignment agreement, ICA's rights to use the immovable assets subject to the Concession were registered with relevant authorities as required under Kazakhstan laws.

The Government deemed the natural gas transportation system in Kazakhstan a strategic national asset, and accordingly in 2000, Kazakhstan and Tractebel agreed for Tractebel to transfer 100 per cent. of its interest in Intergas International, including its 100 per cent. interest in ICA, back to Kazakhstan. For this purpose, the Government established KTG pursuant to a Government resolution dated 5 February 2000,

initially as a closed joint stock company and subsequently as a joint stock company. As a result of such transfer, ICA became 100 per cent. indirectly owned by KTG.

In 2004, the Regional Entities were liquidated in connection with the reorganisation of the natural gas transportation industry in Kazakhstan and the rights to operate and manage the assets comprising the natural gas transportation system, for and on behalf of the State (so-called “operative management rights”), were transferred to SE Capitalneftegas, a Kazakhstan state enterprise, while title to the assets reverted to Kazakhstan itself. The transfer to SE Capitalneftegas of the assets comprising the natural gas transportation system was referred to in an agreement dated 20 July 2004, which purported to amend the Concession Agreement (the “July 2004 Agreement”). There is some uncertainty, however, whether the July 2004 Agreement constitutes a valid and binding agreement effective for its stated purpose. Although SE Capitalneftegas signed the July 2004 Agreement, SE Capitalneftegas is not specifically mentioned as a party to the July 2004 Agreement and it is unclear whether SE Capitalneftegas was properly authorised to sign the July 2004 Agreement. Furthermore, in order to complete all legal formalities relating to the transfer of operative management rights with respect to the immovable assets comprising the natural gas transportation system to SE Capitalneftegas and to confirm ICA’s rights under the Concession Agreement relative to such operative management rights of SE Capitalneftegas, the respective rights of SE Capitalneftegas with respect to the assets comprising the natural gas transportation system should have been re-registered in accordance with Kazakhstan laws. ICA is taking steps to cure any potential defects in the July 2004 Agreement.

Notwithstanding the foregoing, Management believes that neither the potential invalidity or unenforceability of the July 2004 Agreement, nor a failure to complete the re-registration of the rights with respect to the assets, will have an adverse affect on ICA’s rights under the Concession Agreement. As a matter of Kazakhstan law, any transfer of rights relating to the assets comprising the natural gas transportation system by the Regional Entities in 2004 would be subject to ICA’s rights to operate and manage such assets under the Concession Agreement, as ICA’s rights were properly granted and registered prior to the transfer by the Regional Entities.

Under the terms of the Concession Agreement, ICA may, at any time during the Concession period (including any extensions thereof), assign and transfer the Concession and all rights granted under the Concession Agreement to any of its affiliates or, with the consent of Kazakhstan, to any third party.

Under the Concession Agreement and the Law on Natural Monopolies, which is applicable to ICA, ICA’s tariffs for domestic natural gas transportation are subject to regulation by the Anti-Monopoly Agency. Under the Concession Agreement, Kazakhstan has agreed that ICA is entitled to freely negotiate, determine and set international transportation tariffs with their international transit contractor counterparties. See “Description of ICA—Tariffs”.

The Concession Agreement is governed by Kazakhstan law. Any disputes that arise between the parties to the Concession Agreement shall be referred to international arbitration in Stockholm and resolved in accordance with its Rules.

The Gazprom Contracts

Turkmen/Uzbek Gas Transit Contract

ICA and Gazprom are parties to the Turkmen/Uzbek Gas Transit Contract, dated 11 November 2005, pursuant to which ICA has committed to Gazprom to transport the following amounts of Turkmen, Uzbek or any non-Russian gas on an annual basis for the years 2006 to 2010: (i) 2006: 52.2 bcm; (ii) 2007: 55.7 bcm; (iii) 2008: 55.2 bcm; (iv) 2009: 55.2 bcm; and (v) 2010: 55.2 bcm, with the transit commencing on 1 January 2006. These annual volumes are further broken down into monthly requirements, and such requirements incorporate a “80/20 take-or-pay” mechanism, which requires Gazprom to pay for at least 80 per cent. of the agreed volumes for the particular month regardless of the amount of volumes actually required by it to be transported by ICA during that month. For the year ended 31 December 2006, the Turkmen/Uzbek Gas Transit Contract accounted for approximately 78.3 per cent. of ICA’s total natural gas transportation revenues and 85.1 per cent. of its international natural gas transportation revenues.

The services fee payable for gas transit services is calculated as US\$1.1 per 1,000 cubic metres of gas per 100 km (including VAT and all other taxes and levies applicable in Kazakhstan), which applies to all volumes transmitted by the Guarantor from 2006 until 2010. The services fee is determined by a fixed formula which may be revised in the event of an increase in service rates for transportation of Kazakh gas through the Russian Federation, or the revision to service rates for transportation of Uzbek gas as may be agreed by the parties. If the gas volume delivered by ICA at any of the exit points is less than the gas

volume delivered by Gazprom and taken by ICA in the relevant entry points, then the monthly services fee must be decreased for the relevant value of non-delivered gas in accordance with the specific formula.

Under the Turkmen/Uzbek Gas Transit Contract, ICA has daily transportation obligations measured at the delivery points for the natural gas, or “exit points” at Alexandrov Gaj, Akkolj and Dombrovka, which are set based upon annual capacity rates at each exit point. The acceptance points for gas transportation by ICA are at the following locations at the Kazakh-Russian border: Beyneu, Begdash and KS-7 Yuzhny Ustyug (or “entry points”).

If Gazprom, for any reason other than the occurrence of a force majeure event (as described below) takes less than the gas volume made available to it by ICA at any exit point, ICA will be released from its obligation to take the relevant gas volume at the relevant entry point. In such case, Gazprom shall immediately reduce the gas supplies to the relevant entry point.

The gas transportation services are rendered by ICA on the basis of Gazprom’s annual preliminary programme for gas transit with a breakdown of gas volumes per quarter for each exit point, and quarterly programmes with a breakdown of gas volumes per month for each exit point.

The gas to be delivered by Gazprom to ICA must meet certain criteria as set forth in a separate “Technical Agreement for the Terms and Conditions of Gas Transportation between Gazprom and ICA” schedule. Following transportation, the quality of gas must meet the same criteria that it met while in the course of acceptance for transit by ICA.

Payment for transportation services is to be made in U.S. dollars. ICA invoices Gazprom on a monthly basis following the execution of the commercial transfer acts (which are in turn executed subject to execution by the parties of monthly technical transfer acts). ICA and Gazprom reconcile their settlements on a quarterly basis.

A party may be excused from the performance of its obligations due to certain force majeure events such as fire, flooding, earthquakes and military action, provided that these events substantially affect the implementation of the Turkmen/Uzbek Gas Transit Contract. A party suffering from a force majeure event must immediately notify the other party of this event in writing and must also make its best efforts to renew the delivery/transit/offtake of gas as soon as possible. The certificates of authorised bodies in the relevant jurisdictions confirming a force majeure event occurrence must be treated as a sufficient proof of the occurrence of such events. Should a force majeure event last for more than six months, the parties must attempt in good faith to agree on further course of their actions under the Turkmen/Uzbek Gas Transit Contract. If no agreement has been reached within thirty days, either party is entitled to terminate the Turkmen/Uzbek Gas Transit Contract.

Each party is liable to the other party in the amount of 100 per cent. of proven direct damages to the extent that such damage is caused by the other party’s fault. ICA is liable to Gazprom for all direct losses and charges incurred in connection with ICA’s failure to deliver gas in the agreed volumes, provided that Gazprom is able to present to ICA a documentary proof of such losses and has made its best efforts to minimise its losses and avoid possible charges. In the meantime, ICA will not be released from its obligation to deliver the agreed gas volumes to Gazprom in the additionally agreed timeframes. If ICA makes available any part/all of its daily capacity to any third party, then Gazprom will be entitled to charge a penalty in the amount of value of such daily capacity calculated on the terms of the Turkmen/Uzbek Gas Transit Contract. In the event of delay in payment of a services fee by Gazprom, Gazprom is subject to a penalty in the amount of 0.01 per cent. of the outstanding payment for each day of delay.

ICA shall not be entitled to use gas transported under the contract for its technological purposes, including technological losses and production-technical needs. For the said purposes, gas from ICA’s own resources shall be used.

With regard to any payment of penalties under the Turkmen/Uzbek Gas Transit Contract, the parties apply provisions of the agreement between the government of the Russian Federation and the government of the republic of Kazakhstan dated October 18, 1996 on “Eliminating Double Taxation and Preventing Evasion of Taxes Imposed on Profit and Capital”. According to this agreement, income tax shall not be imposed at a source of payment of penalties under the Turkmen/Uzbek Gas Transit Contract.

The Turkmen/Uzbek Gas Transit Contract is governed by Swedish law. Any disputes must be settled by the Arbitration Institute of Stockholm Chamber of Commerce in accordance with its Rules.

Russian Gas Transit Contract

ICA and Gazprom are parties to the Russian Gas Transit Contract, dated 11 November 2005, pursuant to which ICA has committed to transit, and Gazprom has committed to order the transit of, Russian gas during the years 2006 through 2010, with the transit commencing on 1 January 2006. The Russian Gas Transit Contract expires on 31 December 2010 and with regard to settlements between the parties, on 1 March 2011. The Russian Gas Transit Contract specifies that, during the calendar year 2006, the exact gas volume for transit will be in an amount up to 69.79 bcm. The exact gas volumes for transit for the years 2007 to 2010 are to be determined based on the annual and quarterly forecasts and balances prepared by the Gazprom central operations control department and to be agreed with ICA operations control department. These exact gas volumes for transit in 2007 to 2010 will be specified in addenda to the Russian Transit Contract signed by the parties on annual basis. The parties have specified that the volume for 2007 will be up to 69.79 bcm. For the year ended 31 December 2006, the Russian Gas Transit Contract accounted for approximately 13 per cent. of ICA's total natural gas transportation revenues and 14 per cent. of its international natural gas transportation revenues.

The services fee payable for gas transit services is calculated as US\$1.1 per 1,000 cubic metres of gas per 100 km (including VAT and all other taxes and levies applicable in Kazakhstan), which applies to all volumes transmitted by the Guarantor from 2006 until 2010. The services fee may be increased in the event the service rates for transit of Kazakh gas through the Russian Federation have been increased. Payment for transportation services is to be made in U.S. dollars. ICA invoices Gazprom on a monthly basis following the execution of the commercial transfer acts specifying the volumes of gas actually transmitted by Gazprom through the gas transportation system operated by ICA (which are in turn executed subject to a monthly execution by the parties of technical transfer acts). ICA and Gazprom reconcile their settlements on a quarterly basis. The parties have agreed that the price of gas for the purposes of its customs clearance would be US\$32 dollars per 1,000 cubic metres (including VAT).

The Russian Gas Transit Contract provides that the gas transit will take place through several pipelines, including the Soyuz Pipeline, the Orenburg-Novoposkov Pipeline, portions of the CAC Pipeline, and the Bukhara Ural Pipeline. Gazprom may subcontract with other companies in order to fulfil its delivery and acceptance obligations under the Russian Gas Transit Contract. In particular, Gazprom delivers gas to ICA (for transit through Kazakhstan territory) by using services of Uraltransgas LLC and Yugtransgas LLC and accepts gas from ICA (after it has been transited through Kazakhstan territory) by using services of Uraltransgas LLC, Yugtransgas LLC and Volgogradtransgas LLC. The gas transit services are rendered by ICA on the basis of Gazprom's monthly orders for gas transit. The delivery points for the gas are located at various sections of Kazakh-Russian border depending on the particular pipeline used for gas transit.

The gas to be delivered by Gazprom to ICA must meet certain criteria as set forth in a separate "Technical Arrangement for the Terms and Conditions of Gas Transit between Gazprom and ICA" schedule. ICA is not responsible for the quality of gas that it has accepted from Gazprom for transit. However, there must be no gas deterioration while in the course of gas transit through Kazakhstan territory. Following transit, the quality of gas must meet the same criteria that it met while in the course of acceptance for transit by ICA.

A party may be excused from the performance of its obligations due to force majeure events such as flooding, earthquakes and landslides. A force majeure event should be confirmed by a Chamber of Trade and Commerce of the relevant state where a force majeure event has occurred within two weeks from its occurrence.

Each party is liable to the other party in the amount of 100 per cent. of proven direct damages to the extent that such damages are caused by the other party's fault. In the event of a delay in payment of a services fee by Gazprom, ICA is entitled to penalise Gazprom in the amount of 0.05 per cent. of the outstanding payment for each day of delay, provided that the total amount of penalty does not exceed 5 per cent. of the outstanding amount of payment. In addition, ICA is also entitled to reduce (or eventually terminate) gas transit subject to a five business days prior notice to Gazprom.

The Russian Gas Transit Contract is governed by Russian law. Any disputes must be settled by the International Commercial Arbitration Court with the Russian Chamber of Trade and Commerce in connection with its Rules. Any price revision is subject to a written addendum to the Russian Transit Contract.

CAC Pipeline Expansion Contracts

The MAN Turbo Contract

ICA and MAN Turbo AG (“MAN Turbo”) are parties to the MAN Turbo Contract, dated 8 January 2004, as amended which is effective until all of the obligations under the contract have been fulfilled. Pursuant to the MAN Turbo Contract, MAN Turbo undertakes, under ICA’s order, in two phases, the design, equipment delivery, assembly and construction of the Oporaya compressor station of the CAC Pipeline and ICA undertakes to accept and pay for these works.

In exchange for its services and equipment under the MAN Turbo Contract, ICA agrees to pay MAN Turbo € 84,080,178.40 (inclusive of all expenses and Kazakstani VAT) (the “Contract Price”), including (i) € 46,598,808 for equipment delivery in connection with the first phase; (ii) € 1,716,370.40 for services rendered in the first phase; and (iii) € 35,765,000 for equipment and services in the second phase. Such amounts are payable in instalments.

MAN Turbo must arrange for an HERMES covered buyer’s loan comprising 85 per cent. for works taking place in the first phase (VAT excluded). Any fees, charges and the HERMES insurance premiums connected with the buyer’s loan are not included in the Contract Price. 85 per cent. of the HERMES insurance premium are included in the HERMES covered loan. The remaining 15 per cent. are to be paid separately together with an advance payment or subject to MAN Turbo’s invoice. The duration of the loan must be not less than ten years.

The parties are released from partial or complete default under their obligations under the MAN Turbo Contract, if this default was caused by force majeure circumstances which have arisen after the conclusion of the MAN Turbo Contract as a result of events beyond the control of the parties, (including, but not limited to, wars and military operations, strike, epidemic, failures, fire, ice formation, floods, etc. or any issue of normative legal acts of the governmental bodies, that makes it impossible for MAN Turbo to perform the works).

The fact of occurrence and cease of force majeure circumstances should be certified by the state authorised body of the country, where these circumstance took place.

Failure by MAN Turbo to carry out the works in the manner that would enable the parties to achieve the acceptance of works by the targeted date is subject to a deduction by ICA of 0.01 per cent. of the outstanding amount per each day of delay but in any event not more than 5 per cent. of the outstanding amount.

In a similar manner, failure by ICA to make payments to MAN Turbo within the periods specified in the MAN Turbo Contract will subject it to a penalty on the delayed payments at a rate of 0.01 per cent. from the outstanding amount per each day of delay, but not more than 5 per cent. from the sum of the outstanding payment.

The total liability of each party to the other on any and all claims, whether in contract, warranty, strict liability, tort or otherwise, arising out of, connected with, or resulting from the performance or non-performance of the MAN Turbo Contract or from the manufacture, sale, delivery or use of any goods or the furnishing of any services for the works, shall not exceed in the aggregate 15 per cent. of the amount for works. This limit does not apply for MAN Turbo with regards to returning moneys paid, in the case the return is foreseen in the MAN Turbo Contract. This limit does not apply for ICA with regard to its obligations to pay to MAN Turbo as foreseen in the MAN Turbo Contract.

Liability for indirect, consequential, or incidental damages whatsoever is excluded.

Each party has the right to terminate the MAN Turbo Contract by one month prior notice to the other party, in the event the other party commits a breach of obligations under the MAN Turbo Contract and fails to remedy such breach within the period agreed by the parties.

The MAN Turbo Contract is governed by the law of the Republic of Kazakhstan. All disputes which have failed to be settled amicably shall be subject to arbitration settlement. The arbitration shall be carried out in accordance with the Rules of the Arbitration Institute of the Stockholm Chamber of Commerce by an Arbitral Tribunal appointed by this Institute consisting of three arbitrators.

No party has the right to transfer their rights and obligations under the MAN Turbo Contract to a third party without the prior written consent of the other party, except for their successors.

The KazStroyService Contract

On 23 December 2005, ICA entered into a contract for the construction of new looping line sections on portions of the CAC Pipeline with JSC KazStroyService (“KazStroyService”). ICA agreed to pay to KazStroyService a total amount under the KazStroyService Contract of KZT 64,709,400,000, which includes VAT and other applicable taxes or mandatory payments, in exchange for KazStroyService performing works that include both design and construction. The terms of the KazStroyService Contract provide that the work shall be completed by December 23, 2007. Early completion of the works is allowed only with ICA’s consent.

KazStroyService’s performance under the contract takes place in two phases. The work during the first phase, fees for which are KZT 2,539,322,050, includes the design of the project and the establishment of the technical requirements for materials and equipment for the new pipeline sections. The design must comply with the specifications set out in a “Design Assignment and Technical Requirements” schedule attached to the contract. After completion of the design, KazStroyService is obliged to provide to ICA documentation describing the results of the design, which were required to be submitted to the State. This documentation was filed by KazStroyService with the State, and all registration and applicable fees have been paid by KazStroyService.

The work during the second phase, fees for which are KZT 62,170,077,950, includes the construction of the pipeline, specifically the building, supply of materials and equipment, installation of equipment and start-and-adjustment services. KazStroyService is obliged to bear the cost of obtaining all necessary licences and approvals of the relevant State authorities, and to provide supervision for implementation of the project throughout all stages.

The contract requires ICA to prepay KZT 323,782,500 for work to be undertaken during the first phase within ten banking days of the date of signing of the KazStroyService Contract. Once KazStroyService prepares the technical specifications for the materials and equipment, ICA is required to transfer a further prepayment of KZT 1,300,000,000 to KazStroyService. Once these initial prepayment amounts are used by KazStroyService in constructing the pipeline, ICA is then required to make regular monthly payments to KazStroyService under the contract. Such payments are made on the basis of transfer schedules signed by both parties. Of each payment, 10 per cent. is to be withheld by ICA, and all such accrued amounts are to be paid to KazStroyService upon completion of the work under the contract. KazStroyService is required to provide bank guarantees to ICA for all payments made by ICA in advance.

Prior to commencement of work for the second phase of the contract, ICA is required to make a prepayment of 50 per cent. of the amount of KZT 31,085,038,975. Once the first phase is completed, the amounts due as payment for the second phase may be increased, provided that KazStroyService’s quality and volume of work under the contract remain the same.

In the event that additional works and equipment are required for construction in the second phase, but such works and equipment have not been planned or envisaged by KazStroyService, then KazStroyService will perform such works at its own expense.

KazStroyService is liable for transportation, unloading and storage of the materials and equipment. It also must obtain prior consent from ICA before contracting any of the works under the contract to subcontractors. KazStroyService does not have the right to assign to subcontractors more than two-thirds of the total volume of works under the contract. All agreements with subcontractors must be in accordance with the terms of the KazStroyService Contract.

KazStroyService provides a guarantee for the quality of the works for 24 months from the date of commencement of their operations. Should any technical defects occur during the guarantee period, KazStroyService is obliged to bear the cost of repairing or replacing such defects. Should any defect be found by ICA it shall notify in writing on such defect and establish period for curing the defects. If the defects are not cured during the construction period then ICA is entitled to cease the works.

Delay by KazStroyService in completion of works entitles ICA to withhold 0.01 per cent. for each day of delay, however such amount may not exceed 5 per cent. of the total amount due KazStroyService under the contract.

In the event that substantial loss for ICA occurs due to overexpenditures, losses or damage to materials, constructed works and/or equipment by KazStroyService, KazStroyService must compensate ICA for such damages.

Each month, KazStroyService is to provide ICA with schedules of services performed, specifying the type of work and the status of its completion. Once all works are completed under the contract, KazStroyService will conduct testing in the presence of ICA's representatives. This testing is to take place over a period of at least 72 hours, during which no suspensions or failures may occur for the testing to be deemed successful.

Claims by subcontractors or any other third parties may not be referred to ICA. KazStroyService bears the full liability for such claims, and retains responsibility for the facilities, methods, technologies, sequence and quality of the performed services. Both parties shall be liable for all risks related to losses and damages caused to the other party, its property, health and deaths of its employees. KazStroyService agrees that ICA may withhold penalties and fines from the amounts due to KazStroyService as appropriate under the contract.

The parties will be relieved from the liability if failure to perform under the contract was caused by a force majeure event. An event must be deemed a force majeure event by authorised state body of the country where such event took place.

ICA may terminate the contract early in certain cases, including if KazStroyService fails to timely commence its services, fails to meet the final deadline, or interim deadlines one or more times, suspends works for longer than 20 days without ICA's approval, does not cure identified defects within a reasonable period of time, ignores the construction schedule and technical regulations specified in the project specifications or appoints a subcontractor without approval of ICA. ICA may also refuse to perform the contract fully or in part, if, at its sole discretion, it finds its implementation unnecessary. In such an event, ICA will only be required to pay for works which have been actually completed by KazStroyService, and for the costs of equipment transportation from the construction site.

Any failure to comply with the agreement shall result into liability in accordance with the legislation of the Republic of Kazakhstan. The parties agree to attempt to resolve disputes through negotiations, but failing such, disputes shall be governed by Kazakh law and referred to the city court of Astana, Kazakhstan.

On 25 September 2006, ICA entered into a new contract with KazStroyService for additional works relating to new looping line sections at the CAC-IV Pipeline, for a total amount of KZT 10,990,600,000, including VAT. On 14 March 2007, the parties amended this contract, and agreed that interim payments will commence only after KazStroyService completes services valued at KZT 1,099,060,000. ICA will then make the interim payments on the basis of monthly service schedules signed by both parties. The last payment consisting of 10 per cent. of the contract, will be made by ICA only after KazStroyService completes all of its obligations under the contract, including the elimination of existing defects. KazStroyService is obliged to complete all works under this additional agreement by the end of 2007.

Other Material Agreements

The RosUkrEnergo Sales Contract

On 12 March 2007, ICA entered into a sale and purchase contract with RosUkrEnergo pursuant to which RosUkrEnergo has undertaken to supply ICA with up to 2 bcm of natural gas by the end of 2007.

The price per 1000 cubic metres of natural gas is US\$60 dollars and the total amount of the contract is approximately US\$120,000,000. By the eighth day of each month during the contract term the parties agree to enter into acceptance schedules indicating the quantity of gas to be delivered. Based on the acceptance schedules, RosUkrEnergo sends invoices prior to 20th day of each subsequent month which must be paid by ICA within ten days.

The natural gas is to be delivered to the Kazakhstan/Uzbekistan border, to the compressor station at Beineu for the CAC Pipeline or to the compressor station no. 7 for the Bukhara-Ural Pipeline.

Ten days prior to the beginning of the applicable monthly delivery period, ICA will deliver applications requesting a preliminary quantity of supply which must be confirmed by RosUkrEnergo not later than 5 days prior to the beginning of that delivery period. The quality of the natural gas must comply with requirements of standard OST 51.40-93. Each month, RosUkrEnergo will provide a certificate of origin of the natural gas and a certificate of compliance with the requirements. In the event of pipeline damages or natural disasters, the parties agree to consider a change in supply volumes.

Violation of the agreement by a party may result in up to 100 per cent. liability for proven losses which were caused by that party. Delays in settlements by ICA may lead to 0.2 per cent. penalties from the amount of unpaid invoices for each day of delay, however such penalty amount may not exceed 30 per

cent. of unpaid amount. Partial payment or absence of payment may be a basis for reduction or cessation of delivery of gas.

Events of force majeure relieve the parties from liability for their non-performance under the contract however, the party experiencing force majeure must timely notify the other party on occurrence of such event. Should the force majeure event continue for a period longer than three months either party may terminate the contract upon prior notice.

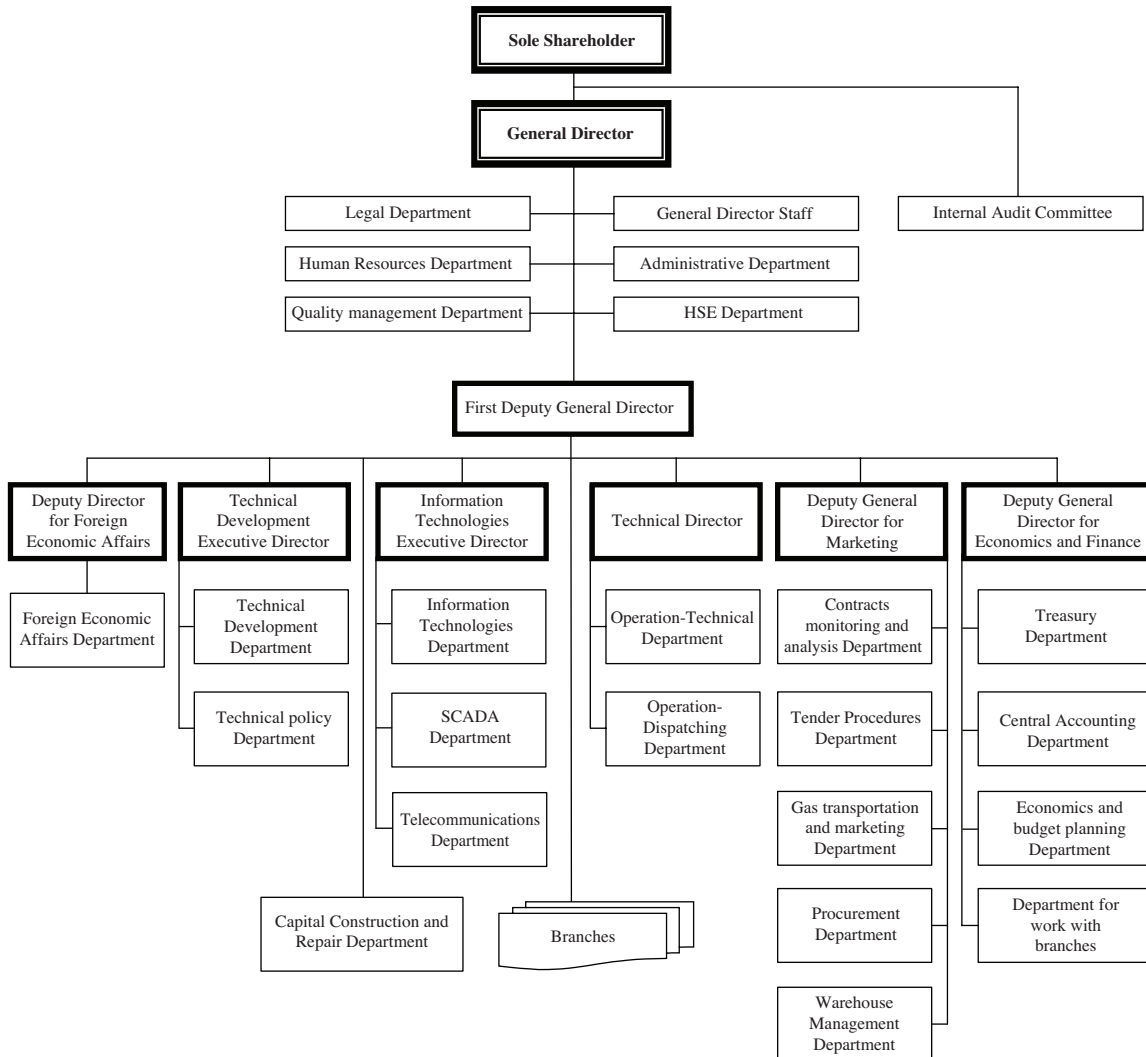
The contract is governed by the laws of Switzerland. Disputes under the contract not resolved through negotiations for a period of 30 days, may be referred for resolution to the International Chamber of Commerce Paris using rules of International Chamber of Commerce Paris in Zurich.

MANAGEMENT AND EMPLOYEES OF ICA

General

In accordance with ICA’s constitutional documents and applicable laws and regulations of Kazakhstan, including the Law on Joint-Stock Companies dated 13 May 2003, ICA’s sole shareholder, Intergas International B.V., has the ultimate control over the operations of ICA. Except for limited matters, however, which are expressly reserved to the sole shareholder, ICA is managed by its Management Board, while executive authority for the day-to-day management of the affairs of ICA is delegated to the General Director. ICA also has an Internal Audit Committee, which acts as the internal monitoring authority reporting directly to the sole shareholder.

The following chart represents the present organisational structure of ICA:



Management of ICA

The Management Board of ICA has the authority to make decisions with respect to all matters, other than those issues reserved to the exclusive competence of the sole shareholder. The sole shareholder is responsible for the approval of the liquidation or reorganisation of the company, amendments to the company’s charter, any increases in share capital, the entry into of material transactions involving amounts equivalent to at least 25 per cent. of the company’s total assets, the issuance of debt securities and the declaration of dividends in respect of the company’s share capital and approval of all related party transactions.

The General Director is the Chairman of the Management Board of ICA, and as such, executes the day-to-day management of ICA and implements the decisions of the sole shareholder and the Management Board. As of the date of this Prospectus, Mr. Daniyar A. Berlibaev is the General Director of ICA.

The General Director has appointed three Deputy General Directors as follows, each of whom is also a member of the Management Board:

Name	Position(s)
Pavel V. Klimov	First Deputy General Director
Nurlan Z. Akhazaripov	Deputy General Director, Chief Financial Officer
Olzhas T. Tusupbekov	Deputy General Director, Chief Marketing Officer

In addition, the Management Board of ICA comprises:

Name	Position(s)
Tanbay E. Naushiev	Technical Director
Kudaibergen S. Kusainov	Director of Legal Department of ICA
Erbol N. Birimzhar	Director of Treasury Department of ICA

Other than Mr Olzhas T. Tusupbekov, who, in addition to his position as Deputy General Director, Chief Marketing Officer of ICA, also holds a position as the managing director of marketing and commerce of KTG, no other member of ICA's Management Board engages in any principal activities outside of ICA that are significant with respect to ICA.

Daniyar A. Berlibaev (1968) graduated from Kazakh State University in 1992. Before joining KazMunaiGas Group in 1997 he worked in Ministry of Economy and State Export-Import Bank of Kazakhstan. From 1997 to 2000 Mr. Berlibaev worked in KazTransOil in Corporate finance and Investment Departments. In May 2000 he joined KTG and worked on several management positions in KTG and ICA. Mr. Berlibaev has held his current position since February 2005.

Pavel V. Klimov (1952) graduated from Uralsk Pedagogical Institute in 1974 with a degree in geography and biology. In 1993, he graduated from Saratovsk Technical University with a degree in gas and heating supply. From 1976 to 1982, Mr. Klimov worked at the Uralsk Production Office as an engineer in the areas of gas exploration and equipment. From 1982 to 1997, he continued to work at the Uralsk Production Office, initially as chief engineer and later as technical director, at the main pipeline, Uralsktransgas. In 1997, Mr Klimov joined ICA at its office in Uralsk, first as Chief Engineer, Technical Director and then as Head of the Department of ICA's Operational Centre in Uralsk. In 2000, he was promoted to Director of the Production and Technical Department of ICA. In 2003, he was promoted to Deputy General Director, Chief of Production of ICA.

Nurlan Z. Akhazaripov (1965) graduated from Semipalatinsk Technological Institute in 1995 and obtained a MBA degree in KIMEP, Almaty. Since 2000 Mr. Akhazaripov has worked in KTG as the Chief Accountant, Head of Treasury department, Head of Assets and Liabilities Department, Head of North-Caspian project in KazMunaiGas.

Olzhas T. Tusupbekov (1972) graduated from the Eurasian Market Institute in 1998 with a degree in finance. Before joining KazMunaiGas he worked in several commercial banks of Kazakhstan and Ministry of Transport and communication. In 2001 he became the Assistant of the President of KazTransOil and in 2004 he joined KTG as Deputy General Director on Marketing.

Tanbay E. Naushiev (1946) graduated from Gubkin's Moscow Oil and Gas Institute in 1975. Started working in the oil and gas industry in 1975 as technical specialist. During this period he worked in several oil and gas companies namely: KTG, ICA, KazMunaiGas and some local private companies. Mr. Naushiev is in charge of the technical and production side of the company.

Kudaibergen S. Kusainov (1960) graduated from Sverdlovsk Law Institute in 1987 with a degree in law. From 1993 through 2002, Mr. Kusainov worked in the Apparatus of the Head of Almaty Administration. Mr. Kusainov served as a director of the Legal Department of "CJSC KazTransOil" from September 2002 through March 2003 and has served in his current position since March 2003.

Erbol N. Birimzhar (1977) graduated from Gazi University, Ankara in 1999. Before joining KTG in 2006, he worked in several organisations as a financial manager.

None of the members of the Management Board has any potential conflicts of interest between their private interests and/or other duties and their duties to ICA.

Business Address of ICA

The business address of the members of the Managing Board of ICA is 20 Kabanbay Batyr Avenue, Astana, 010000, Republic of Kazakhstan.

ICA Internal Audit Committee

ICA's Internal Audit Committee controls the financial and economic activities of ICA and reports directly to ICA's sole shareholder. Members of ICA's Internal Audit Committee are appointed by the sole shareholder of ICA. Members of the Internal Audit Committee are not permitted to serve as members of the Management Board or as General Director. As of the date of this Prospectus, ICA's Internal Audit Committee was comprised of two members.

The following table sets forth certain information with respect to the current members of ICA's Internal Audit Committee:

Name	Position(s)
Mr Malik Stambekov	Head of Internal Audit Committee
Mr Zharaskhan Shaltayev	Chief Auditor of Internal Audit Committee

ICA Executive Compensation

Pursuant to ICA's charter, the remuneration of the General Director and Deputy General Directors is fixed by the sole shareholder. For the year ended 31 December 2006, ICA paid cash compensation (including salaries, cash bonuses, car allowances and other benefits) to its General Director and Deputy General Directors of KZT 56.5 million in the aggregate, as compared to KZT 50.3 million for the year ended 31 December 2005.

Employees of ICA

As at 31 December 2006, ICA had 4,542 full-time employees, as compared to 4,239 employees as at 31 December 2005.

All employees are trained to perform their jobs through various in-house training programmes, which are organised on a regular basis. ICA maintains close relationships with universities and other educational institutions that offer education programmes related to natural gas transportation and related engineering studies and regularly involves such institutions in its employee training.

ICA offers a social package to all its technical employees servicing the pipeline infrastructure, including regular cash bonuses, sponsored holidays for employees and their families at various resorts throughout Kazakhstan and subsidised part-time higher education.

ICA has not experienced any material labour disputes, strikes or legal actions in its history. None of ICA's employees are currently members of any labour union or similar organisation. ICA considers its relationships with its employees to be good.

DESCRIPTION OF SHARE CAPITAL AND PRINCIPAL SHAREHOLDERS

As at 31 December 2006, ICA's authorised, issued and fully paid up share capital consisted of 3,003,750 common voting shares and 41,250 preferred non-voting shares, in each case, with a nominal value of KZT 750 per share. Holders of ICA's preferred shares have the right to receive a minimum annual dividend of 1 per cent. of the nominal value of their shares. Dividends on the common shares are paid at the discretion of ICA's sole shareholder. ICA did not pay any dividends on its common shares in respect of the years 2004, 2005 and 2006. ICA has declared and accrued a total of KZT 1,865,000 in dividends on its preferred shares in respect of the years 2004, 2005 and 2006, which, as of the date of this Prospectus, had not been paid.

As of the date of this Prospectus, ICA's share capital is 100 per cent. owned by Intergas International B.V., a company established under the laws of The Netherlands, which is, in turn, 100 per cent. owned by KTG. All of the authorised issued and fully paid-up shares of KTG are owned by KazMunaiGas. KazMunaiGas is the national holding company responsible for all state-owned oil and gas activities in Kazakhstan, and acts as the representative of the Government for the purposes of developing and promoting the state's commercial interests in international and domestic oil and gas projects. KazMunaiGas is wholly owned by the Government of Kazakhstan as represented by the Committee of State Property and Privatization of the Ministry of Finance of Kazakhstan (JSC Kazakhstan Holding for the Management of State Assets "Samruk" since June 2006).

ICA's initial charter capital, consisting of KZT 3.75 million, was fully subscribed in July 1997 by Tractebel CIS Central Asia LLP, a Kazakhstan legal entity. In December 1997, the charter capital was transferred to Tractebel and additional shares amounting to KZT 2.28 billion were issued. Following the share increase, ICA's charter capital consisted of KZT 2,283,750,000. In July 1998, Tractebel transferred 100 per cent. of ICA's share capital to Intergas International. Intergas International was owned at that time by Belgelectric Finance B.V., a Dutch company, and EXTRA VISTA SDN BHD, a Malaysian company, entities within the group of companies affiliated with Tractebel. In the second quarter of 2000, Belgelectric Finance B.V. and EXTRA VISTA SDN BHD transferred their respective interests in Intergas International to KTG.

THE OIL AND GAS INDUSTRY IN KAZAKHSTAN

The information contained in this section of the Prospectus has been extracted from publicly available documents and other publications. There is not necessarily any uniformity of views among such sources as to the information provided therein. Accordingly, the Guarantor only accepts responsibility for accurately reproducing such extracts as they appear in this section of the Prospectus.

Introduction

The oil and gas sector is of strategic importance to the Government, as it is the principal source of the country's export earnings and reserves, fiscal revenue and future foreign direct investment flows. Traditionally the raw materials supplier to the Soviet Union, Kazakhstan has sizeable, largely unexploited endowments of oil, natural gas and minerals. The Caspian region is expected to yield growth in proven reserves and result in an improvement in Kazakhstan's position in world oil and gas league tables in the longer term. Existing oil and natural gas fields and the prospect of major new finds have attracted significant amounts of foreign direct investment inflows. The Government's stated intention is to preserve Kazakhstan's position as the major destination of foreign direct investment flows within the CIS.

Oil and Gas Reserves

Oil reserves

Kazakhstan's combined onshore and offshore proven hydrocarbon reserves have been estimated to be between 9 and 39 billion barrels. In 2004 Kazakhstan had completed a new assessment of its oil reserves and estimated proven and probable oil reserves at approximately 29 billion barrels at the beginning of 2005. The country's earlier assessment in the 1990s estimated reserves at approximately 16 billion barrels. According to the BP Statistical Review of World Energy 2006, proven oil reserves of Kazakhstan are estimated at 39 billion barrels, probable reserves of oil as of late 2005 were estimated at 1 trillion 209 billion barrels. With the consumption rates maintained at the current level, the oil reserves will suffice for 40.6 years. Kazakhstan has the largest recoverable crude oil reserves in the Caspian region. The hydrocarbon industry accounts for roughly 30 per cent. of the Government's revenues and about half of export earnings. According to BP, in 2005, oil consumption grew by 1.3 per cent. to reach 82.5 million barrels per day. Oil production grew by 1 per cent. to reach 81.1 million barrels per day (bpd).

Though oil consumption grew in 2005, its consumption growth has slowed down against 2004 from 1.8 million bpd to 1 million bpd, due to economic growth deceleration in the USA, China and Asia Pacific countries, reports BP.

Between 1999 and 2004, oil production grew by about 15 per cent. per year. The Government plans to increase production to 3.5 million by 2015. The main fields are Tengiz and Karachaganak, which account for 39 per cent. of Kazakhstan's total production. The Agip Kazakhstan North Caspian Operating Company N.V. (Agip KCO), the operator of the international consortium, which is exploring the Kashagan field, estimates the geological reserves of the Kashagan field at 38 billion barrels, of which 7 to 9 billion barrels are considered recoverable. In 2003, Kazakhstan introduced a development programme for Kazakhstan sector of the Caspian Sea ("KSCS"). Under this programme, throughout the country, Kazakhstan will extract 100 million tonnes per year by 2015 from a total 150 million tonnes. It is expected that companies operating in Kazakhstan will launch the development of Caspian shelf oil deposits during 2007-2008. Currently, Kazakhstan possesses onshore oil recovery abilities. Foreign companies operate in Kazakhstan through joint ventures and production-sharing agreements. Recently, the Kazakh Government introduced a new fiscal structure that imposed a progressive tax on oil exports (1 per cent. tax for prices around \$19 per barrel to 33 per cent. if prices rise to \$40 per barrel or more) and an excess profits tax. At the same time, it has limited foreign participation to 50 per cent. in offshore projects, with the other 50 per cent. belonging to KazMunaiGas. These changes have raised the government share of profits to between 65 per cent. to 85 per cent.

Gas reserves

According to the BP Statistical Review of World Energy 2006, proven natural gas reserves of Kazakhstan are estimated at 105 trillion cubic feet (Tcf).

Most of Kazakhstan's natural gas reserves are located in the west of the country, with roughly 25 per cent. of proven reserves situated in the Karachaganak field. This oil and gas condensate field reportedly has proven natural gas reserves of 16-20 Tcf. The consortium developing Karachaganak expects peak production by 2010 at around 1 Tcf.

Another important natural gas field, Amangeldy, is situated in the south of the country, near Zhambul. Exploratory drilling in 2001 indicated reserves of up to 1.8 Tcf. The field is being developed primarily by KTG. The Amangeldy fields that have been developed are producing approximately 300 million cubic metres in 2005. The new commissionings of wells at the Amangeldy field have provided a large share of the natural gas production increases over the last years. Commissioned in 2005 a 120-mile pipeline connecting to the rest of the natural gas distribution structure helped lessen the southern region's import dependency from Uzbekistan.

Natural gas in Kazakhstan is almost entirely "associated" gas, meaning it is produced with oil. For this reason, several fields including Karachaganak reinject significant quantities of gas into the ground to maintain crude wellhead pressure for liquids extraction. In the long-term, when the liquids are exhausted, this gas can be recovered. Flaring has declined steadily, but in May 2005 the government ordered all oil producing firms to reduce oil production to levels that would avoid natural gas flaring.

Kazakhstan is the second largest oil producer in the CIS after Russia. In 2005, Kazakhstan produced 61.9 million tonnes of oil and gas condensate, which represented a 5 per cent. increase over the amount produced in 2004. In 2006, Kazakhstan produced 64.8 million tonnes of oil and gas condensate, which represented a 5.5 per cent. increase over 2005. Increased oil production in recent years has been the result of an influx of foreign investment into Kazakhstan's oil sector. International projects have taken the form of joint ventures with KazMunaiGas, the national oil company, as well as production-sharing agreements, and exploration/field concessions. The country expects the majority of the growth will come from four enormous fields: Tengiz, Karachaganak, Kurmangazy, and Kashagan.

The Government of Kazakhstan expects that the country will produce 120 million tonnes of oil per year by 2010, and 180 million tonnes of oil per year by 2015. Most of this growth will come from Tengiz, Karachaganak and Kashagan.

The following table sets out oil production levels in Kazakhstan:

	Oil production volume					
	2001	2002	2003	2004	2005	2006
Million of tonnes per annum	40.1	48.2	52.2	59.2	61.9	64.8

Source: BP Statistical Review of World Energy, 2006.

Gas Production

Natural gas production in Kazakhstan has increased significantly since 1999. In August 1999, the Government of Kazakhstan passed a law requiring subsoil users (such as oil companies) to include natural gas utilisation projects in their development plans.

As a result, natural gas production has been on a steady increase since 1999, and by 2000 it eclipsed its pre-independence production levels. According to the 15-year strategy of the Kazakh Ministry for Energy and Mineral Resources, the country plans to increase its natural gas production to 1.66 Tcf by 2010, and to 1.84 Tcf by 2015.

	Gas production volume					
	2001	2002	2003	2004	2005	2006
Billion cubic metres per annum	10.8	10.6	12.9	20.6	23.5	25.6

Source: Interfax – Kazakhstan.

Refineries

Kazakhstan has three major oil refineries supplying the northern region (at Pavlodar), western region (at Atyrau) and southern region (at Shymkent), with a total refining capacity of approximately 21.0 million barrels per annum. The refinery at Pavlodar is supplied mainly by a crude oil pipeline from western Siberia (because Russian reserves are well placed geographically to serve that refinery); the Atyrau refinery runs solely on domestic crude from northwest Kazakhstan; and the Shymkent refinery currently uses oil from fields at Kumkol, Aktyubinsk, and Makatinsk in Kazakhstan, although it is linked by pipeline to Russia. Reconstruction of the Atyrau refinery, which is being carried out by the Marubeni

Corporation (Japan) began in March 2003 and was completed in 2006. The crude oil refining capacity of the reconstructed refinery is expected to be 4.3 million tonnes per year.

The following table sets forth information with respect to the refining capacity of each of the three refineries in 2006:

	<u>Shymkent</u>	<u>Pavlodar</u>	<u>Atyrau</u>
Annual capacity (million barrels).....	4.03	3.89	3.73

Source: Interfax – Kazakhstan.

The low capacity utilisation rate is due to low domestic demand and inexpensive refined products from Russia as a result of the low value of the Russian rouble.

Exports

General

In 2006, Kazakhstan oil was exported in three directions: northward (via the Russian pipeline system and rail network); westward (via the CPC (as defined below) project and barge to Azerbaijan); and southward (via swaps with Iran). Connections to ports on the Black Sea and the Persian Gulf have allowed some Kazakhstan oil (or proxy oil from Iran) to be traded on the world market. Efforts are underway to expand the country's export infrastructure over the next decade as Kazakhstan's oil production is expected to increase.

Kazakhstan exported 54.6 million tonnes of oil and gas condensate in 2006, a 4.1 per cent. increase from what was exported in the corresponding period ended 31 December 2005. According to the National Statistical Agency, exports totalled 57.1 million tonnes. Meanwhile, the import of natural gas for the reported period was 11.06 mcm, a 23.5 increase valued at US\$470.3 million.

Export routes for Kazakhstan gas

Kazakhstan has two separate domestic natural gas distribution networks, one in the west that services the country's producing natural gas fields and one in the south that mainly delivers imported natural gas to the southern consuming regions.

The lack of internal pipelines connecting Kazakhstan's natural gas-producing areas to the country's industrial belt (between Almaty and Shymkent) has hampered the development of natural gas resources in Kazakhstan. Since Kazakh natural gas is a potential competitor with Russian natural gas, several new natural gas export pipelines from the Caspian Sea region are in development or under consideration, potentially opening up new markets for Kazakh natural gas. The two branches of the CAC Pipeline, the main gas export pipeline from Central Asia, meet in the southwestern Kazakh city of Beyneu before crossing into Russia at Alexandrov Gay and feeding into the Russian pipeline system. Therefore, Kazakhstan is a major transit route for gas from Turkmenistan to Russia and on to other markets across the territory of the former Soviet Union.

In addition Kazakhstan is considering the construction of an internal north-south pipeline for alleviating import dependency.

In the north, Kazakhstan is developing its ability to export its natural gas through Russia's natural gas pipeline system. Natural gas from the Karachaganak field is sent northward to Russia's Orenburg gas processing plant; however, efforts are currently underway to expand that link and boost export capacity. Some of the gas being sent to Orenburg will then be routed for marketing in the Russian system and some will be sent back to Kazakhstan.

Southern Kazakhstan receives its natural gas supplies from Uzbekistan via the Tashkent-Bishkek-Almaty pipeline. This pipeline snakes through Uzbekistan before reaching Shymkent, crosses Kyrgyzstan, and terminates in Almaty. Dependence on imported natural gas for its southern regions from Uzbekistan was reduced as a result of development of the Amangeldy gas field (commercial production is planned to be started at the end of 2007).

The problem with illegal tapping of the pipeline by Kyrgyzstan was solved by establishment of the joint venture between KTG and KyrgyzGas "KyrKazGas" in March 2004. The principal activity of KyrKazGas is to perform maintenance on the Bukhara-Gas-Tashkent-Bishkek-Almaty pipeline that lies within the Kyrgyz Republic.

Despite Kazakhstan's substantial hydrocarbon resources, the production and export of hydrocarbons has been constrained by Kazakhstan's land-locked position and its significant dependence on Russia's transportation network. Russia retains the right to suspend and impose restrictions on the flow of Kazakhstan's oil into the Russian transportation network and Russian enterprises have priority access to Russian export terminals. Kazakhstan has also been invited to participate in the development of other export routes, including Russia's Baltic Pipeline System, the Bourgas-Alexandropolis pipeline and the integration of the Druzhba and Adria pipelines. Modernisation of the Atyrau-Samara pipeline, conducted in 2000, boosted that pipeline's annual throughput capacity from approximately 7.3 billion barrels to approximately 10.9 billion barrels. In June 2002, Kazakhstan and Russia signed a 15-year oil transit agreement under which Kazakhstan will export at least 350,000 bbl/d of oil annually via the Russian pipeline system. As the CPC project grows with Kazakhstan production, absolute volumes though Atyrau-Samara are expected to grow, but this pipeline will become relatively less significant.

Other export outlets will be needed in order for Kazakhstan to realise the full economic potential of its oil and natural gas reserves. The Government is planning several projects to diversify export routes and to expand export capacity.

The Caspian Pipeline Consortium

The Caspian Pipeline Consortium (the "CPC") was established for the purpose of developing a 1,500 kilometre export pipeline from the Tengiz oil field to the Russian seaport of Novorossiysk on the Black Sea, together with oil pumping stations and oil storage and loading facilities. The CPC was formed in July 1992 by Russia, the Sultanate of Oman ("Oman") and Kazakhstan, with each country having an equal stake.

In April 1996, CPC members and a group of eight oil companies signed a protocol on restructuring the CPC (the "CPC Protocol"), which called for the oil companies to provide all of the new capital for the completion of the pipeline in return for 50 per cent. ownership of the overall project. The Russian, Kazakhstan and Oman governments agreed to reduce their stakes in the CPC to 24 per cent., 19 per cent. and 7 per cent., respectively. The other shareholders of the CPC are Chevron Caspian Pipeline Consortium Company (15 per cent.), LukArco B.V. (a joint venture between LukOil and Arco) (12.5 per cent.), Rosneft-Shell Caspian Ventures Ltd. (a joint venture between Rosneft and Shell) (7.5 per cent.), Mobil Caspian Pipeline Consortium Company (7.5 per cent.), BG Overseas Holdings Ltd. (2 per cent.), Agip International (N.A.) N.V. (2 per cent.), Oryx Caspian Pipeline Ltd. (1.75 per cent.) and Kazakhstan Pipelines Ventures L.L.C. (a joint venture between Amoco and KazMunaiGas, in which Amoco is in the process of selling its stake to Shnos) (1.75 per cent.).

A consortium comprising the American company, Fluor Daniel, and Giprovostokneft Institute from Russia has the contract to build the pipeline. The first stage of construction consisted of a pipeline with a capacity of 205 million barrels per year. This stage was completed, the pipeline was filled with oil and a tanker was filled with oil from the pipeline on 15 October 2001 and the pipeline was officially opened on 27 November 2001. In 2002, approximately 260,000 barrels per day transited through the CPC pipeline. By mid 2004, the CPC pipeline had reached its full initial capacity of 22 million tonnes a year.

Oil Swaps

In 1997, Kazakhstan and Iran entered into a ten-year oil swap agreement. Under its terms, Kazakhstan has the right to ship 15 million barrels of oil per year to Iran for the first two years of the agreement, increasing to 44 million barrels annually by the sixth year. The oil is to be shipped via the Caspian Sea to refineries in Tehran and Tabriz for refining and distribution in the northern Iranian provinces. Iran, in turn, will supply equivalent amounts of Iranian oil from the Persian Gulf to customers of Kazakhstan.

Other Export Routes

The Government is considering the development of additional export outlets, including routes through Iran, Azerbaijan, Georgia and Turkey. However, these options remain in the preliminary planning stages.

Foreign Investment in Oil and Gas

In 2006, foreign investors invested approximately US\$7.29 billion in Kazakhstan's oil and natural gas sector as compared to approximately US\$5.86 billion in 2005 and US\$3.43 billion in 2004. The most significant foreign investment thus far has been in the Tengiz oil field where, under the terms of a 40 year joint venture agreement, Tengizchevroil is expected to invest a total of approximately US\$20 billion in the field. In addition to direct investment in transportation, exploration and production projects, there

have also been significant purchases by foreign investors of Kazakhstan-owned oil and natural gas enterprises. In 1997, the Government sold 60 per cent. of JSC Aktobemunaigas to China National Petroleum. China National Petroleum, as controlling shareholder in JSC Aktobemunaigas, has agreed to invest up to US\$4 billion over a period of 20 years in developing the Aktope field.

In November 1997, during the visit of President Nazarbayev to the United States, two agreements were signed: a development agreement relating to Karachaganak's oil and natural gas fields and a production-sharing agreement relating to the north Caspian Sea. The agreement relating to Karachaganak is with an international consortium consisting of Agip, British Gas, Texaco and Lukoil for a term of 40 years and provides for investments of US\$16 billion. It is anticipated that Kazakhstan will be paid approximately 80 per cent. of the shared income over the 40-year concession period. In June 1999, the consortium members signed a memorandum of understanding relating to the construction of an oil pipeline connecting the Karachaganak fields to the CPC pipeline. The agreement relating to the north Caspian Sea is with an international consortium consisting of Agip, British Gas, BP/Statoil, Mobil, Shell, Total Fina, Philips Petroleum and Inpex, also for a term of 40 years, and provides that Kazakhstan will be paid approximately 80 per cent. of the shared income, including taxes and other payments to the budget, over the concession period.

Regulation of the Oil Industry

Ministry of Energy and Mineral Resources ("MEMR")

The MEMR was organised by Presidential Decree No. 507 dated 13 December 2000, as a result of the restructuring of the Ministry of Energy, Industry and Trade and the Ministry of Mineral Resources and Environmental Protection. By its Resolution No. 707 of 29 June 2002 the Government of the Republic of Kazakhstan transferred to KarMunaiGas (a national oil and gas company) MEMR's authority to represent the interests of the Government of Kazakhstan in enterprises engaged in the exploration, extraction and processing of hydrocarbons. In 2004, the Government of the Republic of Kazakhstan approved a new regulation of the MEMR, in which the MEMR was assigned as the central executive organ of the Republic of Kazakhstan which develops the state policy and coordinates the process of management in the sphere of energy, including mineral resources and petrochemistry.

KazMunaiGas

In 2002, the President Nursultan Nazarbayev issued Decree No. 811 establishing a new national oil and gas company, CJSC NC KazMunaiGas, or KazMunaiGas, as a successor of Kazakhoil and National company for Transportation of Oil and Gas. KazMunaiGas is responsible for the implementation of the following functions as set forth in the Petroleum Law:

- participating in the development of strategy for production rates and for further increases of petroleum resources;
- representing national interests in the contracts with contractors conducting petroleum operations by means of mandatory share participation in such contracts, in the manner defined by the Government;
- preparing and implementing new projects connected with petroleum operations; and
- participation in development of annual reports to the Government of Kazakhstan regarding performance of subsoil use contracts.

Subsoil Use

The Law on Subsoil Use provides that mineral rights in Kazakhstan are owned by the Republic of the Kazakhstan. The right to explore and produce minerals is granted by the Republic of the Kazakhstan pursuant to a contract (a "Mineral Contract") with the relevant investor selected as a result of open or closed tender. A Mineral Contract may be an exploration contract or a combined contract for exploration and production. Other forms of a Mineral Contract may also be permitted depending upon specific operational conditions. Mineral Contracts must include royalty and/or bonus terms, which are negotiated on a project-by-project basis based upon the particular economic characteristics of the project. A Mineral Contract is entered into between the MEMR and the relevant investor and is effective from the time of its registration.

National Fund

2006 Economic Highlights

Population	15,380,900
GDP per capita.....	KZT 632,611 (US\$4,981 ⁽¹⁾)
Trade balance/GDP	19 per cent.
Unemployment rate	7.8 per cent.
Total Debt/GDP.....	82.5 per cent. ⁽²⁾
Debt service paid/GDP	5 per cent.

Source: Statistics Agency of the Republic of Kazakhstan. Social-Economic Development of the Republic of Kazakhstan. Brief Statistical Directory. January 2007 and National Bank of Kazakhstan.

- (1) Exchange rate as of December 2006 (source: the NBK Statistical Newsletter no. 1 (146) January 2007).
(2) As of the third quarter of 2006.

Economic growth in recent years has been propelled by Kazakhstan's growing petroleum industry, and as a result, in 2006 the State's budget revenue was roughly 32 per cent. dependent on the oil sector. It is expected that the State's budget revenues from the oil sector will constitute 28 per cent. in 2007. In an effort to reduce Kazakhstan's exposure to price fluctuations for energy and commodities exports, in August 2000, President Nursultan Nazarbayev issued Decree No. 402 establishing the National Fund to make Kazakhstan less vulnerable to changing prices for energy and commodities exports. The National Fund accumulates revenue earned from income tax of oil and other producing companies, value added tax from the sale of Kazakhstan's hydrocarbons and mineral resources, signing bonuses and royalties paid by foreign partners in joint ventures. As at 1 December 2006, the National Fund held US\$13 billion.

FORM OF NOTES AND TRANSFER RESTRICTIONS

The following information relates to the form, transfer and delivery of the Notes. Because of the restrictions set out below, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult appropriately qualified legal counsel prior to making any offer, resale, pledge or transfer of Notes. Capitalised terms used but not defined herein have the meanings provided in the section entitled “Terms and Conditions of the Notes”.

Form of Notes

All Notes will be in definitive, fully registered form, without interest coupons attached. Notes offered and sold outside the United States in reliance on Regulation S will be represented by interests in the Unrestricted Global Note, in fully registered form, without interest coupons attached, which will be deposited on or about the Closing Date with the Custodian and which will be registered in the name of Cede & Co., as nominee for DTC and interests therein will be credited to the accounts of Euroclear and Clearstream, Luxembourg with DTC.

Notes offered and sold in reliance on Rule 144A will be represented by interests in the Restricted Global Note, in fully registered form, without interest coupons attached, which will be deposited on or about the Closing Date with the Custodian and which will be registered in the name of Cede & Co., as nominee for DTC. The Restricted Global Note (and any Note Certificates issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Note as set out under “— Transfer Restrictions” below.

For the purposes of the Restricted Global Note and the Unrestricted Global Note, any reference in the Conditions to “Note Certificate” or “Note Certificates” shall, except where the context otherwise requires, be construed so as to include the Restricted Global Note or, as the case may be, the Unrestricted Global Note and interests therein.

Transfer Restrictions

On or prior to the 40th day after the Closing Date, a beneficial interest in the Unrestricted Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through the Restricted Global Note only upon receipt by the Registrar of a written certification from the transferor (in the form set out in the schedule to the Paying Agency Agreement), to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. After such 40th day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Note, as set out below.

A beneficial interest in the Restricted Global Note may also be transferred to a person who wishes to take delivery of such beneficial interest through the Unrestricted Global Note only upon receipt by the Registrar of a written certification from the transferor (in the form set out in the schedule to the Paying Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any beneficial interest in either the Restricted Global Note or the Unrestricted Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Note will, upon transfer, cease to be a beneficial interest in such Global Note and become a beneficial interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Note for so long as such person retains such an interest.

The Notes are being offered and sold in the United States only to qualified institutional buyers within the meaning of and in reliance on Rule 144A. Because of the following restrictions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

Each purchaser of Notes offered hereby pursuant to Rule 144A will be deemed to have represented and agreed as follows (terms used herein that are defined in Rule 144A are used herein as defined therein):

- The purchaser (A) is a qualified institutional buyer within the meaning of Rule 144A, (B) is acquiring the Notes and the Guarantee for its own account or for the account of such a qualified institutional buyer and (C) is aware that the sale of the Notes and the Guarantee to it is being made in reliance on Rule 144A.
- The Notes and the Guarantee are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes and the Guarantee offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged, or otherwise transferred except in accordance with the legend set out below.
- It either (a) is not acquiring the Notes (or interests therein) with the plan assets of an “employee benefit plan” as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), that is subject to Title I of ERISA, a “plan” as defined in Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”), that is subject to Section 4975 of the Code, or a governmental or foreign plan that is subject to a law that is substantially similar to Title I of ERISA or Section 4975 of the Code or (b) the acquisition, holding and disposition of the Notes (or interests therein) will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any substantially similar applicable law.
- The Restricted Global Note and any Restricted Note Certificates issued in exchange for an interest in the Restricted Global Note will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

“NEITHER THIS NOTE NOR THE GUARANTEE HAS BEEN OR WILL BE REGISTERED UNDER, AND EACH WAS ORIGINALLY ISSUED OR MADE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER, THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER AND THE GUARANTOR THAT (A) THIS NOTE (AND ANY INTERESTS HEREIN) MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE ISSUER, THE GUARANTOR OR A SUBSIDIARY OF EITHER GUARANTOR, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATIONS UNDER THE SECURITIES ACT OR (4) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THAT (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE (OR INTEREST HEREIN) FROM IT OF THE TRANSFER RESTRICTIONS REFERRED TO IN (A) ABOVE.

EACH PURCHASER AND TRANSFEREE OF THIS NOTE (OR, AN INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER (a) IT IS NOT (AND FOR SO LONG AS IT HOLDS SUCH NOTE OR INTEREST THEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTE WILL NOT BE ACTING ON BEHALF OF), AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), THAT IS SUBJECT TO TITLE I OF ERISA, A “PLAN” AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), AN ENTITY DEEMED TO HOLD PLAN ASSETS OF ANY OF THE FOREGOING, OR A GOVERNMENTAL OR FOREIGN PLAN THAT IS SUBJECT TO A LAW THAT IS SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE OR (B) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR INTEREST HEREIN) WILL NOT GIVE RISE TO A NONEXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA, SECTION 4975 OF THE CODE OR ANY SUBSTANTIALLY SIMILAR APPLICABLE LAW.

THIS NOTE AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFERS OF RESTRICTED SECURITIES GENERALLY. BY THE ACCEPTANCE OF THIS NOTE, THE HOLDER HEREOF SHALL BE DEEMED TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT”.

If the purchaser is acquiring any Notes for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgment, representations and agreements on behalf of each such account.

The purchaser understands that Notes offered in reliance on Rule 144A will be represented by a Restricted Global Note. Before any interest in a Note represented by a Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note, it will be required to provide the Registrar with a written certification (in the form provided in the Paying Agency Agreement) as to compliance with applicable securities laws.

The Issuer, the Guarantor, the Registrar, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser of Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the 40th day after the closing date (the “distribution compliance period”), by accepting delivery of this Prospectus and the Notes, will be deemed to have represented and agreed as follows:

It is, or will be at the time Notes are purchased, (a) the beneficial owner of such Notes, (b) not a U.S. person and located outside the United States (within the meaning of Regulation S) and (c) not an affiliate of the Issuer or the Guarantor or a person acting on behalf of such an affiliate.

It understands that such Notes and the Guarantee have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believes is a qualified institutional buyer within the meaning of Rule 144A purchasing for its own account or the account of a qualified institutional buyer or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

The Issuer, the Guarantor, the Registrar, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

It understands that the Notes offered in reliance on Regulation S will be represented by the Unrestricted Global Note. Prior to the expiration of the distribution compliance period, before any interest in the Unrestricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Restricted Global Note, it will be required to provide the Registrar with a written certification (in the form provided in the Paying Agency Agreement) as to compliance with applicable securities laws.

Euroclear, Clearstream, Luxembourg and DTC Arrangements

So long as DTC or a successor depositary or one of their respective nominees is the registered holder of a Global Note, DTC, such successor or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Notes, the Guarantee, the Trust Deed and the Paying Agency Agreement. Payments of principal, interest and Additional Amounts, if any, in respect of Global Notes will be made to DTC, such successor or such nominee, as the case may be, as the registered holder thereof. None of the Issuer, the Guarantor, the Trustee, any Agent or the Managers or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records

relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Distributions of principal and interest with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by Euroclear or Clearstream, Luxembourg from DTC or such successor or such nominee after payment from the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg customers in accordance with the relevant system's rules and procedures.

Holders of book-entry interests in the Notes through DTC will receive, to the extent received by DTC or such successor or such nominee from the Principal Paying Agent, all distributions of principal and interest with respect to book-entry interests in the Notes from the Principal Paying Agent through DTC. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

Interest on the Notes (other than interest on redemption) will be paid to the holder shown on the Register on the fifteenth day before the due date for such payment (the "Record Date"). Trading between the Restricted Global Note and the Unrestricted Global Note will therefore be net of accrued interest from the relevant Record Date to the relevant Interest Payment Date.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a Global Note to such persons will be limited. Because DTC, Euroclear and Clearstream, Luxembourg can only act on behalf of direct participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The holdings of book-entry interests in the Notes in DTC, and through DTC, in Euroclear and Clearstream, Luxembourg will be reflected in the book-entry accounts of each such institution. As necessary, the Registrar will adjust the amounts of Notes on the Register to reflect the amounts of Notes represented by the Unrestricted Global Note and the Restricted Global Note. Ownership in Notes will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg and DTC.

Interests in the Unrestricted Global Note and the Restricted Global Note will be in uncertificated book-entry form.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes (including, without limitation, the presentation of Global Notes for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Global Notes are credited, and only in respect of such portion of the aggregate principal amount of the Global Notes as to which such participant or participants has or have given such direction.

Trading between Euroclear and/or Clearstream, Luxembourg Accountholder

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC participants including Euroclear and Clearstream, Luxembourg will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same Day Funds Settlement System.

Trading between DTC and Euroclear/Clearstream, Luxembourg Participants

Subject to compliance with the restrictions applicable to the Notes described above and under "Subscription and Sale", cross-market transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg account holders, on the other, will be effected in DTC in accordance with DTC rules and procedures and on behalf of Euroclear or Clearstream, Luxembourg (as the case may be) by its respective depository. However, such cross-market transactions will require

delivery of instructions to Euroclear or Clearstream, Luxembourg (as the case may be) by the counter party in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, Luxembourg (as the case may be) will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivery or receiving beneficial interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlements applicable to DTC. Euroclear and Clearstream, Luxembourg account holders may not deliver instructions directly to the depositories for Euroclear or Clearstream, Luxembourg.

Because of time zone differences, credits of Notes received in Euroclear or Clearstream, Luxembourg as a result of a transaction with a DTC participant will be made during the securities settlement processing day dated the business day following the DTC settlement date and such credits of any transactions in such securities settled during such processing will be reported to the relevant Euroclear or Clearstream, Luxembourg account holder on such business day. Cash received in Euroclear or Clearstream, Luxembourg as a result of sales of Notes by or through a Euroclear account holder or a Clearstream, Luxembourg account holder to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day following settlement in DTC. Settlement between Euroclear or Clearstream, Luxembourg account holders and DTC participants cannot be made on a delivery versus payment basis. The arrangements for transfer of payments must be established separately from the arrangements for transfer of Notes, the latter being effected on a free delivery basis. The customary arrangements for delivery versus payment between Euroclear and Clearstream, Luxembourg account holders or between DTC participants are not affected.

Although the foregoing sets out the procedures of Euroclear, Clearstream, Luxembourg and DTC in order to facilitate the transfers of interests in the Notes among participants of DTC, Clearstream, Luxembourg and Euroclear, none of Euroclear, Clearstream, Luxembourg or DTC is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Guarantor, the Trustee, any Agent or any of the Managers or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the Securities Act, will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. Except as otherwise indicated, this description only addresses tax legislation, as in effect and in force at the date hereof, as interpreted in published case law, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

United States Federal Income Taxation

The following is a description of the material U.S. federal income tax consequences of the acquisition, ownership, disposition and retirement of the Notes by a holder thereof. This description only applies to the Notes held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, holders that have a functional currency other than the U.S. dollar, tax-exempt organisations, certain former citizens and long-term residents of the United States, holders that will hold the Notes through a partnership or other pass through entity, dealers or traders in securities or foreign currencies, or holders that will hold a Note as part of a straddle, a hedging, conversion or other integrated transaction for U.S. federal income tax purposes.

Moreover, this description does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the acquisition, ownership, disposition or retirement of the Notes and only addresses the U.S. federal income tax treatment of holders that acquire the Notes as part of the initial distribution at their initial issue price (which will equal the first price paid by the public, not including bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers, at which a substantial amount of the Notes is sold for money). Each prospective purchaser should consult its own tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding and disposing of the Notes.

This description is based on the Code, existing and proposed U.S. Treasury Regulations promulgated thereunder, administrative pronouncements and judicial decisions, each as available on the date hereof. All of the foregoing is subject to change, possibly with retroactive effect, or differing interpretations, which could affect the tax consequences described herein.

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes that, for U.S. federal income tax purposes, is: (i) a citizen or resident of the United States; (ii) a corporation (or an entity treated as a corporation for U.S. federal income tax purposes) organised in or under the laws of the United States or any State thereof, or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) that validly elects to be treated as a United States person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more United States persons have the authority to control.

A Non-U.S. Holder is a beneficial owner of the Notes that is neither a U.S. Holder nor a partnership (or an entity treated as a partnership for U.S. federal income tax purposes).

If a partnership (or an entity treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences of acquiring, owning or disposing of the Notes.

U.S. INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO U.S. INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE MARKETING

OF THE NOTES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Characterisation of the Notes

The Issuer and the Guarantor believe, and intend to take the position that, the Notes constitute debt for U.S. federal income tax purposes. The classification of an instrument as debt or equity is highly factual, and there can be no assurance that the Internal Revenue Service (the "IRS") will not contend, and a court will not ultimately hold, that the Notes are equity of the Issuer. If the IRS or a court were to treat the Notes as equity for U.S. federal income tax purposes, the U.S. Holders of Notes would likely be treated as owning an equity interest in a passive foreign investment company (a "PFIC") and, accordingly, gains realised on the sale of, and interest paid on, the Notes could be subject to deferred tax charges and other adverse consequences including additional reporting requirements. The discussion below assumes that the Notes constitute debt for U.S. federal income tax purposes. U.S. Holders should consult their tax advisers about the consequences of owning an equity interest in a PFIC.

Interest

The stated principal amount of the Notes will not exceed by more than a *de minimis* amount (as set forth in the applicable U.S. Treasury Regulations) the issue price of the Notes. Therefore, interest paid to a U.S. Holder on a Note, including any additional amounts, will be includible in a U.S. Holder's gross income as ordinary interest income in accordance with the U.S. Holder's usual method of tax accounting. In addition, interest on the Notes will be treated as foreign source income for U.S. federal income tax purposes, including U.S. foreign tax credit limitation purposes. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific "baskets" of income. For this purpose, for taxable years beginning before 1 January 2007, interest on the Notes should generally constitute "passive income", or in the case of certain U.S. Holders, "financial services income", and, for taxable years beginning after 31 December 2006, interest on the Notes should generally constitute "passive category income", or in the case of certain U.S. Holders, "general category income". Prospective investors should consult their own tax advisers as to foreign tax credit implications of interest paid or accrued in respect of a Note.

Subject to the discussion below under "—U.S. Backup Withholding Tax and Information Reporting", payments of interest on a Note to a Non-U.S. Holder generally will not be subject to U.S. federal income tax unless the income is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States.

Additional notes

Noteholders should be aware that additional notes that are treated for non-tax purposes as a single series with the original Notes may be treated as a separate series for U.S. federal income tax purposes. In such case, for U.S. federal income tax purposes, the new notes may be considered to have been issued with original issue discount, which may affect the market value of the original Notes since such additional notes may not be distinguishable from the original Notes.

Sale, Exchange, Retirement or Other Disposition

Upon the sale, exchange, retirement or other disposition of a Note, a U.S. Holder will recognise taxable gain or loss equal to the difference, if any, between the amount realised on the sale, exchange, retirement or other disposition (other than accrued but unpaid interest which will be taxable as such) and the U.S. Holder's adjusted tax basis in the Note. The U.S. Holder's adjusted tax basis in a Note generally will equal the cost of the Note to such U.S. Holder, and any such gain or loss will be capital gain or loss. In the case of a non-corporate U.S. Holder, the maximum marginal U.S. federal income tax rate applicable to the gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends) if the U.S. Holder's holding period for the Notes exceeds one year (i.e., such gain is long-term capital gain). Any gain or loss realised on the sale, exchange, retirement or other disposition of a Note by a U.S. Holder generally would be treated as U.S. source gain or loss, as the case may be. The deductibility of capital losses is subject to limitations.

If any gain from the sale or exchange of the Notes is subject to Dutch or Kazakhstan tax, U.S. Holders may not be able to credit such taxes against their U.S. federal income tax liability under the U.S. foreign tax credit limitations of the Code, because such gain generally would be U.S. source income, unless such tax can be credited (subject to applicable limitations) against tax due on other income treated as derived from foreign sources.

Subject to the discussion below under “— U.S. Backup Withholding Tax and Information Reporting”, any gain realised by a Non-U.S. Holder, upon the sale, exchange or retirement of a Note generally will not be subject to U.S. federal income tax, unless (i) the gain is effectively connected with the Non-U.S. Holder’s conduct of a trade or business in the United States or (ii) in the case of any gain recognised by an individual Non-U.S. Holder, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition and certain other conditions are met.

U.S. Backup Withholding Tax and Information Reporting

A backup withholding tax and information reporting requirements apply to certain payments of principal of, and interest on, an obligation and to proceeds of the sale or redemption of an obligation, to certain non-corporate holders of the Notes that are U.S. persons. The payor will be required to withhold backup withholding tax on payments made within the United States, or by a U.S. payor or U.S. middleman, on a Note to a holder of a Note that is a U.S. person, other than an exempt recipient, such as a corporation, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a U.S. payor or U.S. middleman, of principal, interest and proceeds of sale to a holder of a Note that is not a U.S. person will not be subject to backup withholding tax and information reporting requirements if an appropriate certification is provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect. The backup withholding rate is 28 per cent. for taxable years through 2010.

Backup withholding is not an additional tax. A holder generally will be entitled to credit any amounts withheld under the backup withholding rules against such holder’s U.S. federal income tax liability provided the required information is furnished to the IRS in a timely manner.

The above description is not intended to constitute a complete analysis of all U.S. tax consequences relating to the acquisition, ownership and disposition of the Notes. Prospective purchasers of the Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

European Union Directive on Taxation on Savings Income

The EU has adopted a Directive (2003/48/EC) regarding the taxation of savings income. From 1 July 2005 EU member states are required to provide to the tax authorities of other EU member states details of payments of interest and other similar income paid by a person to an individual in another EU member state, except that Austria, Belgium and Luxembourg impose a withholding system for a transitional period (unless during such period they elect otherwise). A number of third countries and territories have adopted similar measures.

Kazakhstan Taxation

Under the Kazakhstan law as presently in effect, payments of principal or interest on the Notes to an individual who is a non-resident of Kazakhstan or to a legal entity that is neither established in accordance with the legislation of Kazakhstan, nor has its actual governing body (place of actual management) in, nor maintains a permanent establishment in, Kazakhstan or otherwise has no taxable presence in Kazakhstan (together, “Non-Kazakhstan Holders”) will not be subject to taxation in Kazakhstan, and no withholding of any Kazakhstan tax will be required on any such payments. In addition, gains realised by Non-Kazakhstan Holders derived from the disposal, sale, exchange or transfer of the Notes will not be subject to the Kazakhstan income or profits tax. However, any gains in relation to Notes which are admitted to the Special Trade Platform of the Almaty Regional Financial Centre will be subject to the Kazakhstan income tax except for gains from a sale made on the Special Trade Platform by an individual who is a non-resident of Kazakhstan.

Payments of interest from the Guarantor to the Issuer to fund the Issuer’s obligations to make payments under the Notes will be subject to the Kazakhstan withholding tax at a rate of 15 per cent. Such withholding tax may be reduced under the Kazakhstan-Netherlands Tax Treaty to a rate of 10 per cent., although there can be no assurance that such relief will be obtained.

Payments of interest to Non-Kazakhstan Holders under the Guarantee, other than under the Notes purchased on the Special Trade Platform, will be subject to withholding tax at a rate of 15 per cent. and payment of fees and commissions will be subject to withholding of Kazakhstan tax at a rate of 20 per cent. respectively, unless reduced by an applicable double taxation treaty. The Guarantor will agree in the Trust Deed and the Guarantee to pay additional amounts (as defined in the Trust Deed) in respect of any

such withholding, subject to certain exceptions set out in full in Condition 9 (*Taxation*). See “Terms and Conditions of the Notes”. Payments to a Noteholder entitled to the benefits of a Kazakhstan Tax Treaty may be subject to a reduced rate of withholding tax, although there can be no assurance that such relief will be obtained.

The Netherlands Taxation

Withholding tax

All payments made by the Issuer under the Notes may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

Taxes on income and capital gains

This paragraph does not describe the Dutch tax consequences of the acquisition, holding and disposal of the Notes if a holder of Notes has a substantial interest or deemed substantial interest (statutorily defined terms) in the Issuer.

Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder, alone or, in case of individuals, together with his/her partner (statutorily defined term), directly or indirectly, holds (i) an interest of 5 per cent. or more of the total issued and outstanding capital of that company or of 5 per cent. or more of the issued and outstanding capital of a certain class of shares of that company or (ii) holds rights to acquire, directly or indirectly, such interest or (iii) holds certain profit sharing rights in that company that relate to 5 per cent. or more of the company’s annual profits and/or to 5 per cent. or more of the company’s liquidation proceeds. A deemed substantial interest arises if a substantial interest (or part thereof) has been disposed of, or is deemed to have been disposed of, on a non-recognition basis.

Residents of The Netherlands

Generally speaking, if the holder of the Notes is an entity that is a resident or deemed to be resident of The Netherlands for Dutch corporate income tax purposes, any payment under the Notes or any gain realised on the disposal or deemed disposal of the Notes is subject to a 25.5 per cent. corporate income tax rate (a corporate income tax rate of 20.0 per cent. applies with respect to taxable profits up to €25,000 and 23.5 per cent. over the following €35,000, the first two brackets for 2007).

A Dutch qualifying pension fund is in principle not subject to Dutch corporate income tax. A qualifying Dutch investment fund (in Dutch “*fiscale beleggingsinstelling*”) is subject to corporate income tax at a special rate of zero percent.

If a holder of the Notes is an individual, resident or deemed to be resident of The Netherlands for Dutch income tax purposes (including the non-resident individual holder who has made an election for the application of the rules of the Dutch Income Tax Act 2001 as they apply to residents of The Netherlands), any payment under the Notes or any gain realised on the disposal or deemed disposal of the Notes is taxable at the progressive income tax rates (with a maximum of 52 per cent.), if:

- (a) the Notes are attributable to an enterprise from which the holder of the Notes derives a share of the profit, whether as an entrepreneur or as a person who has a co-entitlement to the net worth of such enterprise, without being a shareholder, as defined in the Dutch Income Tax Act 2001; or
- (b) the holder of the Notes is considered to perform activities with respect to the Notes that go beyond ordinary asset management (in Dutch “*normaal vermogensbeheer*”) or derives benefits from the Notes that are (otherwise) taxable as benefits from other activities (in Dutch “*resultaat uit overige werkzaamheden*”).

If the above-mentioned conditions (a) and (b) do not apply to the individual holder of the Notes, such holder will be taxed annually on a deemed income of 4 per cent. of his or her net investment assets for the year at an income tax rate of 30 per cent. The net investment assets for the year is the average of the fair market value of the investment assets less the allowable liabilities at the beginning of that year and the fair market value of the investment assets less the allowable liabilities at the end of that year. The Notes are included as investment assets. A tax free allowance may be available. Actual benefits derived from the Notes are as such not subject to Dutch income tax.

Non-residents of The Netherlands

A holder of the Notes will not be subject to Dutch taxes on income or capital gains in respect of any payment under the Notes or in respect of any gain realised on the disposal or deemed disposal of the Notes, provided that:

- (a) such holder is neither resident nor deemed to be resident of The Netherlands nor has made an election for the application of the rules of the Dutch Income Tax Act 2001 as they apply to residents of The Netherlands; and
- (b) such holder does not have an interest in an enterprise or deemed enterprise (statutorily defined term) which, in whole or in part, is either effectively managed in The Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise the Notes are attributable; and
- (c) in the event the holder is an individual, such holder does not carry out any activities in The Netherlands with respect to the Notes that go beyond ordinary active asset management (in Dutch “*normaal vermogensbeheer*”) and does not derive benefits from the Notes that are (otherwise) taxable as benefits from other activities in The Netherlands (in Dutch “*resultaat uit overige werkzaamheden*”).

A holder of the Notes will not become subject to taxation on income and capital gains in The Netherlands by reason only of the execution, delivery and/or enforcement of the Notes or the performance by the Issuer of its obligations under the Notes.

Gift and estate taxes

Residents of The Netherlands

Gift, estate or inheritance taxes will arise in The Netherlands with respect to a transfer of the Notes by way of a gift by, or on the death of, a holder of such Notes who is resident or deemed resident of The Netherlands at the time of the gift or his or her death.

Non-residents of The Netherlands

No Dutch gift, estate or inheritance taxes will arise on the transfer of Notes by way of gift by, or on the death of, a holder of Notes who is neither resident nor deemed to be resident in The Netherlands, unless:

- (a) such holder at the time of the gift has or at the time of his death had an enterprise or an interest in an enterprise that, in whole or in part, is or was either effectively managed in The Netherlands or carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise the Notes are or were attributable; or
- (b) in the case of a gift of a Note by an individual who at the date of the gift was neither resident nor deemed to be resident in The Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in The Netherlands.

For purposes of Dutch gift, estate and inheritance taxes, amongst others, a person that holds the Dutch nationality will be deemed to be resident in The Netherlands if he has been resident in The Netherlands at any time during the ten years preceding the date of the gift or his death. Additionally, for purposes of Dutch gift tax, amongst others, a person not holding the Dutch nationality will be deemed to be resident in The Netherlands if he has been resident in The Netherlands at any time during the twelve months preceding the date of the gift. Applicable tax treaties may override deemed residency.

Other taxes and duties

No Dutch VAT and no Dutch registration tax, customs duty, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable by the holders of the Notes in respect or in connection with the issue of the Notes or with respect to the payment of interest or principal by the Issuer under the Notes.

SUBSCRIPTION AND SALE

ABN AMRO Bank N.V., BNP Paribas, ING Bank N.V., London Branch and Mitsubishi UFJ Securities International plc (together, the “Managers”) have, pursuant to a subscription agreement (the “Subscription Agreement”) dated 10 May 2007, agreed with the Issuer and the Guarantor, subject to the satisfaction of certain conditions, to subscribe for the Notes.

The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer. The Issuer and the Guarantor have agreed to indemnify the Managers against certain liabilities to pay certain costs and expenses in connection with the issue, offer and sale of the Notes.

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S. The Subscription Agreement provides that each Manager may through its agents or affiliates arrange for the resale of Notes in the United States solely to qualified institutional buyers pursuant to Rule 144A.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer, whether or not it is participating in the offering, may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Each Manager has represented and agreed that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor, and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Kazakhstan

Each Manager has agreed that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell the Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in Kazakhstan, except in compliance with the laws of Kazakhstan.

Italy

Each Manager has represented and agreed that:

- (i) it will not offer, sell or deliver any Notes or distribute copies any document relating to the Notes in the Republic of Italy except:
- (ii) (a) to “Professional Investors”, as defined in Article 31.2 of CONSOB Regulation No. 11522 of 1 July 1998, as amended (“CONSOB Regulation No. 11522”), pursuant to Article 30.2 and 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the “Italian Financial Act”) or (b) in

any other circumstances where an express exemption from compliance with the solicitation restrictions applies, as provided under the Italian Financial Act or Regulation No. 11971 of 14 May 1999, as amended; and

- (iii) any such offer, sale or delivery of the Notes or any document relating to the Notes in the Republic of Italy must be (i) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended, the Italian Financial Act, CONSOB Regulation No. 11522 and any other applicable laws and regulations and (ii) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

General

No action has been, or will be, taken by the Issuer, the Guarantor or the Managers that would permit a public offering of the Notes in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any circular, prospectus, form of application, advertisement or other material may be distributed or published, in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable laws or regulations.

CERTAIN ERISA CONSIDERATIONS

Subject to the following discussion the Notes may be acquired by pension, profit-sharing or other employee benefit plans that are subject to Title I of ERISA, individual retirement accounts, Keogh plans and other plans that are subject to Section 4975 of the Code and entities deemed to hold the plan assets of the foregoing (each a “Benefit Plan”). Section 406 of ERISA and Section 4975 of the Code prohibit a Benefit Plan from engaging in certain transactions with persons that are “parties in interest” under ERISA or “disqualified persons” under the Code with respect to such Benefit Plan. A violation of these “prohibited transaction” rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons or the fiduciaries of the Benefit Plan. In addition, Title I of ERISA also requires fiduciaries of a Benefit Plan subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents.

The acquisition or holding of Notes by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Issuer, the Guarantor, the Trustee, a Manager, the Registrar or any of their respective affiliates is or becomes a party in interest or a disqualified person with respect to such Benefit Plan. Certain exemptions from the prohibited transaction rules could be applicable to the purchase and holding of Notes by a Benefit Plan depending on the type and circumstances of the plan fiduciary making the decision to acquire such Notes. Included among these exemptions are: Prohibited Transaction Class Exemption (“PTCE”) 96-23, regarding transactions effected by “in-house asset managers”; PTCE 95-60, regarding investments by insurance company general accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, regarding transactions effected by “qualified professional asset managers”. In addition to the class exemptions listed above, the Pension Protection Act of 2006 provides a statutory exemption under Section 408(b)(17) of ERISA and Section 4975(f)(10) of the Code for prohibited transactions between a Benefit Plan and a person or entity that is a party in interest to such Benefit Plan solely by reason of providing services to the Benefit Plan (other than a party in interest that is a fiduciary, or its affiliate, that has or exercises discretionary authority or control or renders investment advice with respect to the assets of the Benefit Plan involved in the transaction), provided that there is adequate consideration for the transaction. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. There can be no assurance that any of these, or any other exemption, will be available with respect to any particular transaction involving the Notes and prospective purchasers that are Benefit Plans should consult with their advisors regarding the applicability of any such exemption.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans are not subject to ERISA requirements, however governmental and foreign plans may be subject to comparable non-U.S., federal, state or local law restrictions.

By acquiring a Note, each purchaser had transferee will be deemed to represent, warrant and covenant that either (i) it is not acquiring the Note with the assets of a Benefit Plan or any other plan subject to a law that is substantially similar to Title I of ERISA or Section 4975 of the Code or (ii) the acquisition, holding and disposition of the Note will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any other substantially similar applicable law.

A plan fiduciary considering the purchase of Notes should consult its legal advisors regarding whether the assets of the Issuer would be considered plan assets, the possibility of exemptive relief from the prohibited transaction rules and other issues and their potential consequences.

GENERAL INFORMATION

1. The issue of the Notes (i) was authorised by resolutions adopted at a duly convened meeting of the managing directors of the Issuer on 19 April 2007 and (ii) was approved by the written consent of KTG, as sole shareholder of the Issuer, on 19 April 2007. The Deed of Guarantee relating to the Notes was authorised by the written consent of the sole shareholder of the Guarantor 23 April 2007.
2. Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the Gilt Edged and Fixed Interest Market of the London Stock Exchange. The admission of the Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that admission to the Official List and to trading on the Gilt Edged and Fixed Interest Market of the London Stock Exchange will be granted on or about 14 May 2007, subject only to the issue of the Notes. Prior to official listing, dealings will be permitted by the London Stock Exchange in accordance with its rules.
3. The total expenses related to the admission to trading of the Notes will be approximately US\$2,299,516.
4. There has been no significant change in the financial or trading position, or material adverse change in the prospects, of the Issuer since 31 December 2006, the date of its most recent audited financial statements. There has been no significant change in the financial or trading position, or material adverse change in the prospects, of the Guarantor, since 31 December 2006.
5. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware), and there have been no such proceedings during the 12 months preceding the date of this Prospectus, which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer, the Guarantor or the Group.
6. The auditors of the Issuer are Mazars Paardekooper Hoffman N.V., the Netherlands, a company with certified accountants, who are registered in the Netherlands with Royal NIVRA (Koninklijk Nederlands Instituut van Registeraccountants) or NovAA (Nederlandse Orde van Accountants-Administratieconsulenten).
7. The Guarantor's independent auditors are Ernst & Young, acting as auditors under the licence No. 0000007 dated 21 October 1999 issued by the Ministry of Finance of the Republic of Kazakhstan, and they are a member of the Chamber of Auditors of Kazakhstan, the professional body which oversees audit firms in Kazakhstan. The Guarantor's audited financial statements for each of the three financial years ended 31 December 2006, 31 December 2005 and 31 December 2004, prepared in accordance with IFRS, were audited by Ernst & Young. The business address of Ernst & Young is Furmanov Street, 240G Almaty 050059, Kazakhstan.
8. Copies of the Guarantee, the Trust Deed, the Paying Agency Agreement and the Subscription Agreement are available during normal business hours at the specified office of the Principal Paying Agent and at the registered office of the Issuer from time to time.
9. The Charter and the Financial Statements of ICA are available and, until the maturity of the Notes, the latest audited annual financial statements and unaudited semi-annual financial statements of the Guarantor (in each case, to the extent any are produced) will be available, during normal business hours at the specified office of the Principal Paying Agent from time to time and at the registered office of the Issuer from time to time.
10. The articles of association and the audited financial statements for the years ended 31 December 2006 and 2005 of the Issuer are available and until the maturity of the Notes, the latest unaudited annual financial statements of the Issuer will be available, during normal business hours at the specified office of the Principal Paying Agent from time to time and the registered office of the Issuer. The Issuer does not prepare interim financial statements.
11. The Notes have been accepted for clearance through DTC. The CUSIP number for the Unrestricted Global Note is N45748 AB1, the ISIN USN45748AB15 and the Common Code 030032098, and the CUSIP number for the Restricted Global Note is 45867E AB2, the ISIN US45867EAB20 and the Common Code 030031598.

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INTERGAS FINANCE B.V.

Rotterdam, The Netherlands

Annual Report

for the financial year ended 31 December 2006

ADDRESS:

Schouwburgplein 30-34
3012 CL Rotterdam

Chamber of Commerce:
File number 24.366.898

INTERGAS FINANCE B.V.

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INTERGAS FINANCE B.V.

Balance Sheet as at 31 December 2006

(Before appropriation of results and expressed in US Dollars)

	note	31 December 2006	31 December 2005
		<u> </u>	<u> </u>
FIXED FINANCIAL ASSETS	3		
Loan to group company		246,739,752	246,066,681
Deferred financing costs		3,260,248	3,933,319
Loan shareholder		2,549,600	2,549,600
		<u>252,549,600</u>	<u>252,549,600</u>
CURRENT ASSETS			
Interest receivable group company		2,751,002	2,751,002
Interest receivable shareholder		120,857	18,873
Amount receivable group company		206,195	114,783
VAT receivable		847	5,375
Cash at banks	4	258,347	197,263
		<u>3,337,248</u>	<u>3,087,296</u>
CURRENT LIABILITIES			
Interest payable		2,721,354	2,721,354
Accrued expenses		30,210	41,066
		<u>2,751,564</u>	<u>2,762,420</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>585,684</u>	<u>324,876</u>
TOTAL ASSETS LESS LIABILITIES		<u>253,135,284</u>	<u>252,874,476</u>
LESS: LONG-TERM DEBT			
Long term loans	6	250,000,000	250,000,000
		<u>3,135,284</u>	<u>2,874,476</u>
CAPITAL AND RESERVES	5		
Share capital		23,735	21,292
Currency translation reserve		(1,310)	1,133
Share premium		2,549,600	2,549,600
Retained Earnings		302,451	0
Result for the period		260,808	302,451
		<u>3,135,284</u>	<u>2,874,476</u>

INTERGAS FINANCE B.V.

Profit and loss account (Expressed in US Dollars)

	Year ended 31 December 2006	Year ended 31 December 2005
FINANCIAL INCOME/(CHARGES)		
Gross income on loans to group companies	19,418,593	22,495,492
Withholding tax	(1,941,859)	(2,249,549)
Net interest income on loans to group companies	<u>17,476,734</u>	<u>20,245,943</u>
Interest expenses on loans from third parties	(17,187,500)	(19,908,854)
Net interest income on loans	<u>289,234</u>	<u>337,089</u>
Result on discount loan to shareholder	673,071	778,181
Amortization deferred cost	(673,071)	(778,181)
	<u>0</u>	<u>0</u>
Interest bank	0	10,523
Exchange differences	3,409	(3,790)
	<u>292,643</u>	<u>343,822</u>
EXPENSES		
Bank charges	430	731
Capital tax	0	125
General and administrative expenses	31,405	40,515
	<u>31,835</u>	<u>41,371</u>
OPERATING PROFIT BEFORE TAXATION	260,808	302,451
CORPORATE INCOME TAX	<u>0</u>	<u>0</u>
NET PROFIT FOR THE YEAR	<u><u>260,808</u></u>	<u><u>302,451</u></u>

INTERGAS FINANCE B.V.

Notes to the accounts as at 31 December 2006

1. General

The Company is a private limited liability company established in Rotterdam on 14 September 2004. The Company acts as a finance company. The sole shareholder of the Company is Kaztransgaz CJSC, Astana, Republic of Kazakhstan.

2. Summary of principal accounting policies

(a) General

The accompanying accounts have been prepared in accordance with the provisions of the EU Directives as implemented in Part 9, Book 2 of the Dutch Civil Code.

(b) Foreign currencies

The Company reports in US Dollars because its major transactions are nominated in US Dollars. All assets and liabilities expressed in currencies other than US Dollars have been translated at the rates of exchange prevailing at the balance sheet date. All transactions in foreign currencies have been translated into US Dollars at rates of exchange approximating to those ruling at the date of transactions. Resulting exchange differences are recognised in the profit and loss account.

(c) Revenue recognition

Income and expenses are accounted for under the accrual basis.

(d) Other assets and liabilities

Unless otherwise indicated all assets and liabilities are stated at nominal value.

(e) Corporate income tax

Corporate income tax is calculated on the basis of the net result shown in the Profit and Loss account, taking into account tax allowances and tax adjustments.

(f) Financial Instruments

As finance company financial instruments are used. The financial instruments are recognised at the balance sheet in the fixed assets, current assets and current liabilities. The accounting principles of the financial instruments are described in item (d). The shareholder guarantees the repayment of its loans and the loans of the Company. The Company will receive the face value of the loans from its shareholder to repay the loans. A lower fair value of the loans will not influence the Company.

INTERGAS FINANCE B.V.

Notes to the accounts as at 31 December 2006

3. Fixed Financial Assets

This item reflects the following loans to the group company:

- A loan facility to the amount of USD 250,000,000, including an amount of USD 4,117,500 for deferred financing costs. The loan was agreed upon in a loan agreement of 4 November 2004 between the Company and CSJC Intergas Central Asia. The loan bears an interest at a nominal rate 7.7221% (6.9499% + withholding tax). The repayment date of the total loan facility in the amount of USD 250,000,000 is 4 November 2011.
- A loan to an amount equal to EUR 2,000,000 (USD 2,549,600). The loan was agreed upon in a loan agreement of 4 November 2004 between the Company and JSC KazTransgaz. The loan bears an interest at a nominal rate of 4%. The repayment date of the total loan facility in the amount of USD 2,549,600 is 4 November 2011.

4. Cash at banks

Cash at banks consists of current account balances, which are available on demand.

5. Capital and reserves

The authorised share capital of the Company consists of 900 ordinary shares of EURO 100 each amounting to EURO 90,000. As at balance sheet date 180 shares were issued and fully paid-up. At balance sheet date the issued share capital has been translated to US Dollars at the exchange rate of USD 1.3186.

The movements in capital and reserves can be summarised as follows:

	Share capital	Translation reserve	Share premium	Accumulated result	Result for the period	Total
<i>(in usd)</i>						
Balance as at 31 December 2005	21,292	1,133	2,549,600	302,451		2,874,476
Shares issued and paid up						0
Adjustment translation reserve	2,443	(2,443)				0
Additions to share premium						0
Appropriation of result						0
Result for the year					260,808	260,808
Balance as at 31 December 2006	<u>23,735</u>	<u>(1,310)</u>	<u>2,549,600</u>	<u>302,451</u>	<u>260,808</u>	<u>3,135,284</u>

INTERGAS FINANCE B.V.

Notes to the accounts as at 31 December 2006

6. Long term loan

On 4 November 2004 the Company issued a Note of USD 250,000,000 principal amount, which bears interest at a fixed rate of 6,875 %. The Trustee of this Note is J.P. Morgan Corporate Trustee services Limited, New York, USA. The Guarantors are CJSC Intergas Central Asia, 20 Kabanbay Batyr Avenue, Astana, Kazachstan and JSC KazTransGaz, 20 Kabanbay Batyr Avenue, Astana, Kazachstan. The Note is due for repayment on 4 November 2011.

7. Staff number and employment costs

The Company has no employees, other than its directors, and hence incurred no wages, salaries and related social security premiums during the period under review.

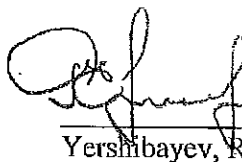
8. Directors

The Company has two directors and no supervisory directors. Neither remuneration nor any other benefit was paid to the present director during the period under review.

Rotterdam/19 April 2007



Equity Trust Co. N.V.



Yershibayev, R.

INTERGAS FINANCE B.V.

Supplementary information

Audit

Since the Company qualifies as a “small-sized “ company it is, consequently, not legally required to have its accounts audited as provided for in Section 396, Paragraph 6, Part 9, and Book 2 of the Dutch Civil Code.

Retained earnings

Subject to the provisions under the Dutch Law that no dividends can be declared until all losses have been recovered, retained earnings are at the disposal of the shareholder in accordance with Article 13 of the Articles of association of the Company.

Proposed appropriation of Profit

The management proposed to carry forward the result during the past financial period.

To the shareholder of Intergas Finance B.V.

AUDITOR'S REPORT

We have audited the accompanying financial statements 2006 of Intergas Finance B.V., Rotterdam, which comprise the balance sheet as at 31 December 2006, the profit and loss account for the year then ended and the notes.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of Intergas Finance B.V. as at 31 December, 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Rotterdam, 19 April 2007

MAZARS PAARDEKOOPER HOFFMAN N.V.



G.A.P.M. Kannekens RA

INTERGAS FINANCE B.V.

Rotterdam, The Netherlands

ANNUAL ACCOUNTS

31 December 2005

ADDRESS:

Schouwburgplein 30-34
3012 CL Rotterdam

Chamber of Commerce:
File number 24.366.898

INTERGAS FINANCE B.V.

Management Report

The Management has pleasure in submitting the Company's accounts for the period ended 31 December 2005.

Summary of activities

The Company acts as a finance company.

Future Outlook

It is expected that the activities of the Company will remain unchanged.

Post-balance events

No major post-balance events affecting the accounts, herewith presented, have occurred to date.

Rotterdam, 19 April 2007

D.G.

Equity Trust Co. N.V.

Yershlibayev, R.

INTERGAS FINANCE B.V.

Balance Sheet

(Before appropriation of results and expressed in US Dollars)

		31 December
	note	2005
FIXED FINANCIAL ASSETS	3	
Loan to group company		246,066,681
Deferred financing costs		3,933,319
Loan shareholder		2,549,600
		<u>252,549,600</u>
CURRENT ASSETS		
Interest receivable group company		2,751,002
Interest receivable shareholder		18,873
Amount receivable group company		114,783
VAT receivable		5,375
Cash at banks	4	197,263
		<u>3,087,296</u>
CURRENT LIABILITIES		
Interest payable		2,721,354
Capital tax payable		0
Accrued expenses		41,066
		<u>2,762,420</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>324,876</u>
TOTAL ASSETS LESS LIABILITIES		<u>252,874,476</u>
LESS: LONG-TERM DEBT		
Long term loans	6	250,000,000
		<u>2,874,476</u>
CAPITAL AND RESERVES	5	
Share capital		21,292
Currency translation reserve		1,133
Share premium		2,549,600
Profit for the period		302,451
		<u>2,874,476</u>

INTERGAS FINANCE B.V.

Profit and loss account *(Expressed in Us Dollars)*

	Period ended 31 December 2005
FINANCIAL INCOME/(CHARGES)	
Gross income on loans to group companies	22,495,492
Withholding tax	(2,249,549)
Net interest income on loans to group companies	<u>20,245,943</u>
Interest expenses on loans from third parties	(19,908,854)
Net interest income on loans	<u>337,089</u>
Result on discount loan to shareholder	778,181
Amortization deferred cost	(778,181)
	<u>0</u>
Interest bank	10,523
Exchange differences	(3,790)
	<u>343,822</u>
EXPENSES	
Bank charges	731
Capital tax	125
General and administrative expenses	40,515
	<u>41,371</u>
OPERATING PROFIT BEFORE TAXATION	302,451
CORPORATE INCOME TAX	0
	<u>0</u>
NET PROFIT FOR THE PERIOD	<u><u>302,451</u></u>

INTERGAS FINANCE B.V.

Notes to the accounts as at 31 December 2005

1. General

The Company is a private limited liability company established in Rotterdam on 14 September 2004. The Company acts as a finance company. The sole shareholder of the Company is Kaztransgaz CJSC, Astana, Republic of Kazakhstan.

2. Summary of principal accounting policies

(a) General

The accompanying accounts have been prepared in accordance with the provisions of the EU Directives as implemented in Part 9, Book 2 of the Dutch Civil Code.

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The Company reports in US Dollars because its major transactions are nominated in US Dollars. All assets and liabilities expressed in currencies other than US Dollars have been translated at the rates of exchange prevailing at the balance sheet date. All transactions in foreign currencies have been translated into US Dollars at rates of exchange approximating to those ruling at the date of transactions. Resulting exchange differences are recognised in the profit and loss account.

(c) Revenue recognition

Income and expenses are accounted for under the accrual basis.

(d) Other assets and liabilities

Unless otherwise indicated all assets and liabilities are stated at nominal value.

(e) Corporate income tax

Corporate income tax is calculated on the basis of the net result shown in the Profit and Loss account, taking into account tax allowances and tax adjustments.

(f) Financial Instruments

As finance company financial instruments are used. The financial instruments are recognised at the balance sheet in the fixed assets, current assets and current liabilities. The accounting principles of the financial instruments are described in item (d). The shareholder guarantees the repayment of its loans and the loans of the Company. The Company will receive the face value of the loans from its shareholder to repay the loans. A lower fair value of the loans will not influence the Company.

INTERGAS FINANCE B.V.

Notes to the accounts as at 31 December 2005

3. Fixed Financial Assets

This item reflects the following loans to the group company:

- A loan facility to the amount of USD 250,000,000, including an amount of USD 4,117,500 for deferred financing costs. The loan was agreed upon in a loan agreement of 4 November 2004 between the Company and CSJC Intergas Central Asia. The loan bears an interest at a nominal rate 7.7221% (6.9499% + withholding tax). The repayment date of the total loan facility in the amount of USD 250,000,000 is 4 November 2011.
- A loan to an amount equal to EUR 2,000,000 (USD 2,549,600). The loan was agreed upon in a loan agreement of 4 November 2004 between the Company and JSC KazTransgaz. The loan bears an interest at a nominal rate of 4%. The repayment date of the total loan facility in the amount of USD 2,549,600 is 4 November 2011.

4. Cash at banks

Cash at banks consists of current account balances, which are available on demand.

5. Capital and reserves

The authorised share capital of the Company consists of 900 ordinary shares of EURO 100 each amounting to EURO 90,000. As at balance sheet date 180 shares were issued and fully paid-up. At balance sheet date the issued share capital has been translated to US Dollars at the exchange rate of USD 1.1829.

The movements in capital and reserves can be summarised as follows:

<i>(in usd)</i>	Share capital	Translation reserve	Share premium	Result for the period	Total
Balance as at 14 September 2004	0	0	0	0	0
Shares issued and paid up	22,425	0	0	0	22,425
Adjustment translation reserve	(1,133)	1,133	0	0	0
Addition to share premium	0	0	2,549,600	0	2,549,600
Profit for the period	0	0	0	302,451	302,451
Balance as at 31 December 2005	<u>21,292</u>	<u>1,133</u>	<u>2,549,600</u>	<u>302,451</u>	<u>2,874,476</u>

INTERGAS FINANCE B.V.

Notes to the accounts as at 31 December 2005

6. Long term loan

On 4 November 2004 the Company issued a Note of USD 250,000,000 principal amount, which bears interest at a fixed rate of 6,875 %. The Trustee of this Note is J.P. Morgan Corporate Trustee services Limited, New York, USA. The Guarantors are CJSC Intergas Central Asia, 20 Kabanbay Batyr Avenue, Astana, Kazakhstan and JSC KazTransGaz, 20 Kabanbay Batyr Avenue, Astana, Kazakhstan. The Note is due for repayment on 4 November 2011.

The long term loans with a duration longer than five years after balance sheet date amounts USD 250.000,000.

7. Staff number and employment costs

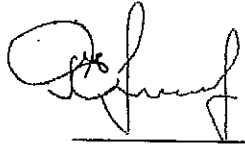
The Company has no employees, other than its directors, and hence incurred no wages, salaries and related social security premiums during the period under review.

8. Directors

The Company has two directors and no supervisory directors. Neither remuneration nor any other benefit was paid to the present director during the period under review.

Rotterdam, 19 April 2007


Equity Trust Co. N.V.


Yershibayev, R.

INTERGAS FINANCE B.V.

Supplementary information

Audit

Since the Company qualifies as a “small-sized “ company it is, consequently, not legally required to have its accounts audited as provided for in Section 396, Paragraph 6, Part 9, and Book 2 of the Dutch Civil Code.

Retained earnings

Subject to the provisions under the Dutch Law that no dividends can be declared until all losses have been recovered, retained earnings are at the disposal of the shareholder in accordance with Article 13 of the Articles of association of the Company.

Proposed appropriation of Profit

The management proposed to carry forward the result during the past financial period.

To the shareholder of Intergas Finance B.V.

AUDITOR'S REPORT

We have audited the accompanying financial statements 2005 of Intergas Finance B.V., Rotterdam, which comprise the balance sheet as at 31 December 2005, the profit and loss account for the year then ended and the notes.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of Intergas Finance B.V. as at 31 December, 2005, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Rotterdam, 19 April 2007

MAZARS PAARDEKOOPER HOFFMAN N.V.



G.A.P.M. Kannekens RA



Intergas Central Asia JSC

Financial Statements

*Years ended December 31, 2006, 2005 and 2004
with Independent Auditors' Report*

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Intergas Central Asia JSC -

We have audited the accompanying financial statements of Joint Stock Company Intergas Central Asia ("the Company"), which comprise the balance sheets as of December 31, 2006, 2005 and 2004, and the income statements, statements of changes in equity and statements of cash flow for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2006, 2005 and 2004, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



February 11, 2007

BALANCE SHEETS

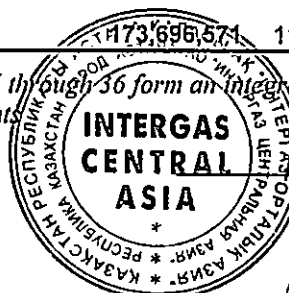
At December 31, 2006, 2005 and 2004

<i>In thousands of Tenge</i>	Notes	2006	2005	2004
ASSETS				
Non-current assets				
Intangible assets	4	1,939,352	1,845,089	1,415,300
Property, plant and equipment	5	98,368,855	65,512,440	43,433,099
Financial support given to related parties, long-term portion	25	7,715,483	9,204,865	14,526,193
Long-term accounts receivable		7,896	8,286	423,933
VAT receivable, long-term portion	9	–	5,897,011	3,389,969
Advances paid	6	26,068,385	2,067,543	–
		134,099,971	84,535,234	63,188,494
Current assets				
Inventories	7	4,785,406	5,247,679	6,026,349
Trade and other receivables	8	8,048,172	6,930,149	6,242,322
Financial support given to related parties, short-term portion	25	11,059,891	1,224,532	8,452,000
Advances paid	6	370,022	129,612	553,368
Indirect taxes recoverable	9	10,113,170	3,541,260	8,917,367
Prepayment for corporate income tax		1,007,662	2,043,795	811,437
Bank deposits	10	–	11,791,295	2,900,000
Cash and cash equivalents	11	4,212,277	2,857,951	1,051,540
		39,596,600	33,766,273	34,954,383
Non-current assets held for sale	5	–	97,267	–
TOTAL ASSETS		173,696,571	118,398,774	98,142,877
EQUITY AND LIABILITIES				
Equity				
Share capital	12	2,283,750	2,283,750	2,283,750
Reserve capital	12	–	115,699	115,699
Retained earnings		84,236,548	65,415,254	55,556,092
		86,520,298	67,814,703	57,955,541
Non-current liabilities				
Long-term loan due to related party	13	31,336,134	32,916,535	31,901,359
Long-term bank loans	14	37,458,082	2,001,267	–
Deferred income tax liabilities	24	4,155,497	2,222,512	269,237
		72,949,713	37,140,314	32,170,596
Current liabilities				
Short-term bank loans	14	521,524	4,905,613	–
Interest payable on long-term loan due to related party	13	349,377	368,002	358,058
Trade and other payables	15	11,431,965	6,561,691	6,801,638
Indirect taxes payable	16	434,370	499,623	207,517
Other current liabilities	17	1,489,324	1,108,828	649,527
		14,226,560	13,443,757	8,016,740
TOTAL EQUITY AND LIABILITIES		173,696,571	118,398,774	98,142,877

The accounting policies and explanatory notes on pages 6 through 36 form an integral part of these financial statements.

Deputy General Director on Economy and Finance

Chief Accountant



Akhanzaripov N.Z.

Safvokassova A.M.

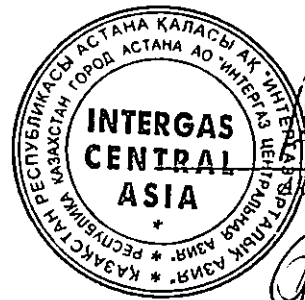
INCOME STATEMENTS

For the years ended December 31, 2006, 2005 and 2004

<i>In thousands of Tenge</i>	Notes	2006	2005	2004
Revenue	18	83,429,143	55,580,993	48,919,440
Cost of sales	19	(39,166,982)	(25,956,945)	(22,994,477)
Gross profit		44,262,161	29,624,048	25,924,963
Administrative expenses	20	(15,440,071)	(9,971,250)	(6,989,949)
Other operating expenses	21	(292,784)	(1,551,389)	(665,760)
Other operating income	21	78,760	289,712	547,898
Profit from operating activities		28,608,066	18,391,121	18,817,152
Other income / (expense)				
Foreign exchange gain / (loss), net		2,039,187	(581,980)	1,324,310
Finance cost	22	(3,560,259)	(4,680,974)	(2,817,113)
Finance income	23	1,514,954	1,358,743	467,380
Profit before income tax		28,601,948	14,486,910	17,791,729
Income tax expense	24	(9,896,044)	(4,626,501)	(5,518,009)
Net profit for the year		18,705,904	9,860,409	12,273,720

The accounting policies and explanatory notes on pages 6 through 36 form an integral part of these financial statements.

Deputy General Director on Economy and Finance



N. Zhanzaripov N.Z.

Chief Accountant

A. M. Sadvokassova

CASH FLOW STATEMENTS

For the years ended December 31, 2006, 2005 and 2004

<i>In thousands of Tenge</i>	2006	2005	2004
Cash flows from operating activities			
Profit before income tax	28,601,948	14,486,910	17,791,729
Adjustments for:			
Depreciation and amortization	6,870,644	3,178,502	2,317,797
Finance costs, net	2,045,305	3,322,231	2,349,733
Non-cash employee compensation	1,395,722	869,769	397,135
Write-off of VAT recoverable	365,282	–	185,539
Loss on disposal of property, plant and equipment	267,997	1,370,363	95,602
Unrealized foreign exchange (gain) / loss	(1,826,522)	750,087	(1,318,454)
Changes in allowance for doubtful debts and obsolete inventories	2,877,192	153,279	(353,488)
Income from accounts payable write-off	(12,239)	(21,490)	(27,412)
Operating profit before working capital changes	40,585,329	24,109,651	21,438,181
Decrease in long-term accounts receivable	297	414,728	352,103
Decrease in inventories	421,775	408,558	241,935
Increase in trade and other receivables	(1,937,068)	(372,704)	3,255,019
(Increase) / decrease in advances paid	(236,619)	476,958	1,412,299
(Increase) / decrease in indirect taxes recoverable	(3,656,165)	1,358,397	(2,931,424)
Decrease in trade and other payables	(1,377,680)	(173,310)	(2,000,427)
(Decrease) / increase in indirect taxes payable	(65,253)	292,106	(725,333)
Increase in other current liabilities	324,429	566,062	42,554
Cash generated from operations	34,059,045	27,080,446	21,084,907
Interest paid	(3,113,178)	(2,206,209)	(659,256)
Income tax paid	(6,926,926)	(2,592,116)	(3,127,816)
Interest received	1,331,875	207,335	8,014
Net cash from operating activities	25,350,816	22,489,456	17,305,849
Cash flows from investing activities			
Decrease / (increase) in bank deposits with maturity more than three months	11,791,295	(8,891,295)	(2,900,000)
Financial support given to related parties	(8,909,926)	(5,493,355)	(24,692,570)
Financial support repaid by related parties	881,030	5,888,441	2,511,698
Purchase of property, plant and equipment	(31,167,662)	(16,576,630)	(8,173,558)
Proceeds from sale of property, plant and equipment	194,534	39,067	453,730
Purchase of intangible assets	(96,496)	(627,462)	(104,913)
Increase in advances paid for non-current assets	(24,000,842)	(2,067,543)	(1,286,064)
Net cash flows used in investing activities	(51,308,067)	(27,728,777)	(34,191,677)
Cash flows from financing activities			
Proceeds from short-term bank loans	19,735,453	36,614,637	29,254,558
Proceeds from long-term bank loans	32,217,190	2,137,806	32,184,304
Repayments of short-term bank loans	(24,641,066)	(31,706,711)	(38,749,260)
Repayments of debt securities	–	–	(4,963,725)
Net cash flows provided by financing activities	27,311,577	7,045,732	17,725,877
Net increase in cash and cash equivalents	1,354,326	1,806,411	840,049
Cash and cash equivalents at the beginning of the year	2,857,951	1,051,540	211,491
Cash and cash equivalents at the end of the year	4,212,277	2,857,951	1,051,540

CASH FLOW STATEMENTS (continued)

For the years ended December 31, 2006, 2005 and 2004

NON-CASH TRANSACTIONS – SUPPLEMENTAL DISCLOSURE:

Non-cash transactions, including the following, have been excluded from the cash flow statement:

Offsetting accounts receivable and accounts payable

During 2005, the Company and KazStroiService JSC agreed to offset part of the amount due to the Company against accounts payable due to KazStroiService JSC relating to construction work of 492,777 thousand Tenge (2004: 1,446,850 thousand Tenge).

Financing the General Contract (Note 26)

During 2006, under the General Contract HSBC Bank PLC made direct payments of 4,196,777 thousand Tenge (equivalent to EURO 26,573,348) to MAN TURBO AG (2005: nil).

Repayment of the Financial Support by KazTransGas JSC (Note 25)

As discussed in Note 25, the Company provided financial support to KazTransGas JSC during 2005 and 2006. In 2006, the Company received fixed assets of 125,161 thousand Tenge from KazTransGas JSC (2005: 10,556,706 thousand Tenge), which was considered as partial settlement of financial support the Company provided to KazTransGas JSC.

The accounting policies and explanatory notes on pages 6 through 36 form an integral part of these financial statements.

Deputy General Director on Economy and Finance

Chief Accountant



[Signature]
N.Z.

[Signature]
Safvokassova A.M

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2006, 2005 and 2004

<i>In thousands of Tenge</i>	Share Capital	Reserve capital	Retained earnings	Total
As at December 31, 2003	2,283,750	115,699	43,282,681	45,682,130
Net profit for the year	-	-	12,273,720	12,273,720
Dividends on preference shares (Note 12)	-	-	(309)	(309)
As of December 31, 2004	2,283,750	115,699	55,556,092	57,955,541
Net profit for the year	-	-	9,860,409	9,860,409
Dividends on preference shares (Note 12)	-	-	(1,247)	(1,247)
As of December 31, 2005	2,283,750	115,699	65,415,254	67,814,703
Net profit for the year	-	-	18,705,904	18,705,904
Dividends on preference shares (Note 12)	-	-	(309)	(309)
Transfer of reserve capital (Note 12)	-	(115,699)	115,699	-
As of December 31, 2006	2,283,750	-	84,236,548	86,520,298

The accounting policies and explanatory notes on pages 6 through 36 form an integral part of these financial statements.

Deputy General Director on Economy and Finance

Chief Accountant



Khanzaripov N.Z.

Sagvokassova A.M.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2006, 2005 and 2004

1. GENERAL

Intergas Central Asia JSC (the “Company”) is established under the laws of the Republic of Kazakhstan. The Company was registered on July 1, 1997 as a closed joint stock company. On January 28, 2005 the Company was re-registered as a joint stock company.

The Company is 100% owned by Intergas International B.V. (“Shareholder”), a company established under the laws of the Netherlands, which is, in turn, 100% owned by KazTransGas JSC (“KazTransGas”), a joint stock company established under the laws of the Republic of Kazakhstan. NK KazMunaiGas JSC (“KazMunaiGas”) is the sole shareholder of KazTransGas JSC. KazMunaiGas is wholly owned by the Government of the Republic of Kazakhstan (the “Government”) as represented by the Committee of State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan (JSC “Kazakhstan Holding for the Management of State Assets “Samruk” - since June 2006).

The principal activities of the Company are transportation, sales and storage of natural gas. The Company operates the mainline gas distribution network in the Republic of Kazakhstan pursuant to an agreement (the “Agreement”) between the Company and the Government. The Company acquired its interest in the Agreement from a predecessor operator in 2000. Under the terms of the Agreement the Company is obliged to operate and maintain the mainline gas distribution network until June 14, 2017 at which time, subject to being extended for a further ten years, are to be transferred to the Government.

The Company's head office is located at Kabanbay Batyr Street, 20, Astana, Republic of Kazakhstan.

The accompanying financial statements were authorized for issue by the Deputy General Director on Economy and Finance and Chief Accountant of the Company on February 11, 2007.

Operating Environment of the Company

Whilst there have been improvements in the Kazakhstani economic situation, such as an increase in gross domestic product and a reduced rate of inflation, the Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

2. BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the Notes to these financial statements. The Company maintains its accounting records in Kazakhstan Tenge (“Tenge” or “KZT”). All values in these financial statements are rounded to the nearest thousand, except when otherwise indicated.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Foreign Currency Translation

The financial statements are presented in Tenge, which is the Company's functional and presentation currency.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange (“KASE”) are used as official currency exchange rates in the Republic of Kazakhstan.

The currency exchange rate of KASE as of December 31, 2006 was 127 Tenge to 1 US dollar. This rate was used to translate monetary assets and liabilities denominated in US dollars as of December 31, 2006 (2005: 133.77 Tenge to 1 US dollar, 2004: 130 Tenge to 1 US dollar). The currency exchange rate of KASE as of February 11, 2007 was 124.99 Tenge to 1 US dollar.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Significant Accounting Judgments and Estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Operating Lease Commitments – Company as Lessee

The Company has entered mainline gas distribution network (the Agreement – Note 1), office space and car leases. The Company has determined that the lessor retains all the significant risks and rewards of ownership of mainline gas distribution network, office spaces and cars so accounts for them as operating leases.

Provision for VAT Recoverable

The Company determines whether VAT recoverable is doubtful at least on an annual basis. The provision for doubtful VAT recoverable is based on the review report by tax authorities. Significant management judgment is required to determine whether the Company can further defend its right for VAT recoverability. The provision for doubtful VAT recoverable as of December 31, 2006 was 2,717,177 thousand Tenge (2005: 569,797 thousand Tenge, 2004: 371,448 thousand Tenge). Further details are contained in Note 9.

Deferred Tax Assets

Deferred tax assets are recognized for all provisions for doubtful debts and allowances for slow-moving inventories to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved, as well as on the successful implementation of tax planning strategies. The amount of recognized deferred tax assets as of December 31, 2006 was 1,784,514 thousand Tenge (2005: 1,506,329 thousand Tenge, 2004: 729,365 thousand Tenge). Further details are contained in Note 24.

The unrecognized deferred tax assets of 2,907,593 thousand Tenge (2005: 2,949,573 thousand Tenge, 2004: 3,332,222 thousand Tenge) related to the difference between the accounting and tax treatment for the assets under the Agreement (Note 24). For tax purposes the Company has deducted tax depreciation for these assets. Due to the uncertainty surrounding future tax deductibility of these costs the deferred tax asset related to these assets was not recognized. Should the tax depreciation taken in prior periods be challenged and reversed by the tax authorities, it could have a material adverse effect on the Company's financial position and results of operations. Management believes, based on the results of past audits by tax authorities of the Republic of Kazakhstan, that it is not likely that previously claimed tax deductions for depreciation will be challenged, and accordingly no provision for fines and penalties was recognized in these financial statements.

Fair Value of Financial Support Provided to Related Parties

The financial support provided to related parties have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Company to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty. The fair value of the financial support to related parties as of December 31, 2006 was 18,775,374 thousand Tenge (2005: 10,429,397 thousand Tenge, 2004: 22,978,193 thousand Tenge). Further details are contained in Note 25.

Allowances

The Company makes allowances for doubtful accounts receivable, advances paid and other current assets. Significant judgment is used to estimate doubtful accounts. In estimating doubtful accounts historical and anticipated customer performance are considered. Changes in the economy, industry, or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the financial statements. As of December 31, 2006, allowances for doubtful accounts have been created in the amount of 280,446 thousand Tenge (2005: 371,216 thousand Tenge, 2004: 483,098 thousand Tenge). Further details are contained in Notes 6 and 8.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Significant Accounting Judgments and Estimates (continued)

Useful Lives of Items of Property, Plant and Equipment

The Agreement is a concession arrangement scoped out of IFRIC 12 “Service Concession Arrangements” (because the grantor does not control the price at which the Company contracts with its major customers). Subsequently, additions or improvements to the assets managed and operated under the Agreement are capitalized and depreciated over an estimate of remaining useful life regardless of whether the term of the Agreement is shorter as the Government is obliged to acquire these assets at the net book value if the Agreement is not extended. The Company assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation. Intangible assets are amortised on a straight-line basis over their useful economic lives. The useful economic lives are presented as follows:

	Years
Software	7
Agreement payment	20
Other	10

Property, Plant and Equipment

Property, plant and equipment represents mainly additions or improvements to assets managed and operated under the Agreement (Note 1) and is classified as “Buildings and constructions”, “Gas transportation system” and “Equipment”, as appropriate.

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. The initial cost of the fixed assets comprises its purchase price, including import duties and non-refundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is computed on a straight-line basis over the estimated useful lives as follows:

	Years
Buildings and constructions	40-50
Gas transportation system	20
Equipment	8-14
Vehicles	9-19
Other	8-15

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

Provision for decommissioning is recognized in full, on a discounted basis, when the Company has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that provision can be made. As of December 31, 2006 a reasonable estimate of this cost was not determinable and no provision was recognised.

Construction in progress represents tangible fixed assets under construction and is stated at cost. This includes cost of construction and equipment and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period when such costs are incurred. The expenditures that have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of tangible fixed assets beyond its originally assessed standard performance (increase of useful life, capacity, etc.) are capitalized as an additional cost of fixed assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

The Company recognizes financial assets and liabilities on its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are recognized using settlement date accounting.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to setoff the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Financial assets and liabilities are initially recognized at cost, which is the fair value of the consideration given or received, respectively, including any transaction costs incurred. Any gain or loss at initial recognition is recognized in the current period's income statement.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortized cost using the effective interest method. Gains and losses are recognized in the income statements when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Interest bearing loans and borrowings are subsequently measured at amortized costs using the effective interest method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

Impairment

Financial Instruments

Financial instruments are reviewed for impairment at each balance sheet date. For financial assets carried at amortised cost, whenever it is probable that the Company will not collect all amounts due according to the contractual terms of accounts receivable, an impairment or allowance for doubtful debt is recognised in the income statement. Reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be objectively related to an event occurring after the write-down. Such reversal is recorded as income in the income statement.

Other Assets

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price or value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in the income statement. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised only to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

Inventories

Inventories of materials and supplies are valued at the lower of cost or net realizable value.

The cost of inventory is accounted for on the first-in first-out basis.

Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any doubtful debts. Allowance is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off after the statute of limitation expires.

If the effect of time value is material, the receivables are initially measured by discounting the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. Where discounting is used, the increase in the receivables due to passage of time is recognized as finance income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised, as well as through application of the effective interest rate method.

Trade and Other Payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Share Capital

Share capital is recognized at cost and is comprised of common and preferred shares. Dividends on ordinary shares are recognized in shareholder's equity as a reduction in the period in which they are declared. Dividends on preferred shares amount to a minimum of 1% of their nominal value. Dividends that are declared after the balance sheet date are treated as a subsequent event under IAS 10 "Events After the Balance Sheet Date" and disclosed accordingly.

Operating Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Expense Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reasonably measured. Revenue is recognised net of indirect taxes. The following specific recognition criteria must also be met before revenue is recognised.

Sales of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Rendering of Services

Revenue from transportation services is recognised based on actual volumes of gas transported during the reporting period.

Interest Income

Revenue is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Expenses

Expenses are accounted for at the time the actual flow of the related goods or services occur, regardless of when cash or its equivalent is paid, and are reported in the financial statements in the period to which they relate.

Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

Income Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax law used to compute the amount are those that are enacted or substantially enacted by the balance sheet date in the Republic of Kazakhstan.

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amount of the deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised, and when there is uncertainty regarding tax treatment of the differences under the tax law.

Deferred income tax assets and liabilities are measured at the rate that is expected to apply to the year when the asset is realised or the liability is settled, based on the tax rate (and tax law) that has been enacted or substantially enacted at the balance sheet date.

Deferred income tax assets and liabilities are setoff if legally enforceable rights exist to set off current tax assets against current tax liabilities.

Pension

The Company does not have any pension arrangements in addition to the State pension scheme of the Republic of Kazakhstan, which requires current contributions by the employer and employee calculated as a percentage of current gross salary payments. The Company has no post-retirement benefits or other compensated benefits requiring accruals.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingent Assets and Contingent Liabilities

Contingent assets are not recognised in financial statements. When the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

Contingent liabilities are not recognised in the financial statements, they are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Subsequent Events

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the Notes when material.

Financial Guarantee Contract Liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and
- the amount initially recognized less, where appropriate, cumulative amortization.

Related Party Disclosures

Related parties include the key management personnel of the Company, enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Company's key management personnel, KazMunaiGas Group companies and entities controlled by the Government of the Republic of Kazakhstan.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except as discussed below.

The Company has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any significant effect on the financial statements of the Company.

- IFRS 6 "Exploration for and Evaluation of Mineral Resources";
- IAS 19 (amended 2005) "Employee benefits";
- IAS 21 (amended 2005) "The Effects of Changes in Foreign Exchange Rates";
- IAS 39 (amended 2005) "Financial Instruments: Recognition and Measurement";
- IFRIC 4 "Determining whether an Arrangement contains a Lease";
- IFRIC 5 "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds";
- IFRIC 6 "Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment".

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in Accounting Policies (continued)

IFRSs and IFRIC Interpretations not yet effective

The Company has not applied the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective:

- IFRS 7 “Financial Instruments: Disclosures”;
- IFRS 8 “Operating Segments”;
- IAS 1 (amended 2005) “Presentation of Financial Statements – Capital Disclosures”;
- IFRIC 8 “Scope of IFRS 2”;
- IFRIC 9 “Reassessment of Embedded Derivatives”;
- IFRIC 10 “Interim Financial Reporting and Impairment”;
- IFRIC 11 “IFRS 2 - Group and Treasury Share Transactions”;
- IFRIC 12 “Service Concession Arrangements”.

The management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company. In addition to the above, further amendments to Standards and new Interpretations have been issued for which adoption is not currently yet mandatory. It is the management’s view that these amendments to Standards and Interpretations do not apply to the activities of the Company.

4. INTANGIBLE ASSETS

<i>In thousands of Tenge</i>	Software	Agreement payment	Other	Total
Cost:				
January 1, 2004	245,499	2,265,000	1,103	2,511,602
Additions	104,913	–	–	104,913
December 31, 2004	350,412	2,265,000	1,103	2,616,515
Additions	627,462	–	–	627,462
December 31, 2005	977,874	2,265,000	1,103	3,243,977
Additions	363,960	–	–	363,960
Disposals	(785)	–	–	(785)
December 31, 2006	1,341,049	2,265,000	1,103	3,607,152
Accumulated amortization:				
January 1, 2004	29,907	982,557	233	1,012,697
Charge	37,209	151,076	233	188,518
December 31, 2004	67,116	1,133,633	466	1,201,215
Charge	106,969	90,509	195	197,673
December 31, 2005	174,085	1,224,142	661	1,398,888
Charge	178,682	90,765	234	269,681
Disposals	(769)	–	–	(769)
December 31, 2006	351,998	1,314,907	895	1,667,800
Net book value:				
December 31, 2004	283,296	1,131,367	637	1,415,300
December 31, 2005	803,789	1,040,858	442	1,845,089
December 31, 2006	989,051	950,093	208	1,939,352

Agreement payment of 2,265,000 thousand Tenge represents the initial payment made to the Government in connection with the Agreement (Note 1). The Company amortizes this amount over the term of the Agreement. The remaining amortization period of this Agreement payment is 10 years.

Software includes the SAP software system with the cost of 876,160 thousand Tenge, which is designed to manage various resources of the Company, including financial management, material management, sales and control and distribution. The remaining amortization period of this system is 4 years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment represents mainly additions or improvements to assets managed and operated under the Agreement (Note 1) and classified as “Buildings and constructions”, “Gas transportation system” and “Equipment”, as appropriate.

The movement of property, plant and equipment for the years ended December 31, 2006, 2005 and 2004 was as follows:

<i>In thousands of Tenge</i>	Land	Buildings and construction	Gas transporta- tion system	Equipment	Vehicles	Other	Construction in progress	Total
Cost:								
January 1, 2004	40,875	2,929,173	11,776,980	8,454,859	2,562,832	962,469	9,858,564	36,585,752
Additions	–	1,514,682	244,590	846,822	535,050	426,013	8,236,769	11,803,926
Transfers	–	61,657	6,128,200	199,322	–	4,951	(6,394,130)	–
Disposals	–	(507,182)	–	(12,871)	(18,249)	(15,183)	–	(553,485)
December 31, 2004	40,875	3,998,330	18,149,770	9,488,132	3,079,633	1,378,250	11,701,203	47,836,193
Additions	62,000	1,693,479	8,890,888	1,038,562	401,244	417,975	14,932,488	27,436,636
Transfers	282	(1,841,995)	9,350,483	16,798,178	9,456	–	(24,316,404)	–
Disposals	–	(2,312,671)	–	(6,266)	(51)	–	(74,518)	(2,393,506)
December 31, 2005	103,157	1,537,143	36,391,141	27,318,606	3,490,282	1,796,225	2,242,769	72,879,323
Additions	151,900	383,707	–	1,023,854	1,050,307	365,347	39,570,430	42,545,545
Transfers	–	7,600,685	1,970,327	3,475,531	(608,657)	(775,684)	(11,662,202)	–
Disposals	–	(2,044,616)	(397,876)	(96,716)	(62,268)	(31,896)	(522,657)	(3,156,029)
December 31, 2006	255,057	7,476,919	37,963,592	31,721,275	3,869,664	1,353,992	29,628,340	112,268,839
Accumulated depreciation:								
January 1, 2004	–	116,996	519,619	1,073,353	385,449	182,551	–	2,277,968
Charge for the year	–	66,122	736,671	900,729	259,472	166,285	–	2,129,279
Disposals	–	–	–	(2,130)	(1,330)	(693)	–	(4,153)
December 31, 2004	–	183,118	1,256,290	1,971,952	643,591	348,143	–	4,403,094
Charge for the year	–	70,075	921,376	1,549,039	342,810	97,529	–	2,980,829
Transfers	–	(167,388)	(1,719)	169,031	76	–	–	–
Disposals	–	(11,071)	–	(5,918)	(51)	–	–	(17,040)
December 31, 2005	–	74,734	2,175,947	3,684,104	986,426	445,672	–	7,366,883
Charge for the year	–	182,747	2,929,875	3,018,695	326,671	142,975	–	6,600,963
Transfers	–	90,765	–	385,958	(165,763)	(310,960)	–	–
Disposals	–	(2,677)	–	(60,542)	(1,238)	(3,405)	–	(67,862)
December 31, 2006	–	345,569	5,105,822	7,028,215	1,146,096	274,282	–	13,899,984
Net book value:								
December 31, 2004	40,875	3,815,212	16,893,480	7,516,180	2,436,042	1,030,107	11,701,203	43,433,099
December 31, 2005	103,157	1,462,409	34,215,194	23,634,502	2,503,856	1,350,553	2,242,769	65,512,440
December 31, 2006	255,057	7,131,350	32,857,770	24,693,060	2,723,568	1,079,710	29,628,340	98,368,855

In connection with the headquarters relocation program and the social support program for the employees of the gas industry in the Republic of Kazakhstan, the Company sold apartments to employees at a price of up to 30% of the acquisition cost under a program that concluded in 2004. The loss from sale of these apartments amounted to 1,395,722 thousand Tenge in 2006 and was reported as non-monetary employee compensation within the cost of sales and administrative expenses (2005: 962,466 thousand Tenge, 2004: 397,135 thousand Tenge). As of December 31 2006, the book value of apartments included in the buildings and construction in progress was nil (2005: 1,642,909 thousand Tenge, 2004: 1,114,652 thousand Tenge).

As discussed in the Note 25, in 2006 the Company received fixed assets in the amount of 125,161 thousand Tenge as a settlement of financial support (2005: 9,210,176 thousand Tenge, 2004: nil).

Construction-in-progress primarily represents compressor stations and pipelines under construction.

In 2005, in accordance with the decision of the management, the Company reclassified certain buildings and constructions with a total book value of 97,267 thousand Tenge as non-current assets held for sale (2006 and 2004: nil), which were sold in 2006.

In 2005, the Company disposed social assets with the book value of 1,240,053 thousand Tenge (2006 and 2004: nil) which were transferred free of charge to KSK “Gasovik” in accordance with the decision of the management.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. ADVANCES PAID

<i>In thousands of Tenge</i>	2006	2005	2004
Advances paid for non-current assets			
Advances given to third parties for capital repair works and construction	26,068,385	2,007,746	-
Advances given to related parties for capital repair works and construction (Note 25)	-	59,797	-
	26,068,385	2,067,543	-
Advances paid for current assets and services			
Advances given to related parties (Note 25)	9,081	27,085	32,479
Advances given to third parties for supply of materials and rendering current repair services	384,140	129,517	726,310
Less allowance for doubtful accounts	(23,199)	(26,990)	(205,421)
	370,022	129,612	553,368

As of December 31, 2006, advances given to third parties for capital repair works and construction include an advance of 7,594,217 thousand Tenge (2005: 1,999,511 thousand Tenge, 2004: nil) paid to MAN Turbo A.G. in accordance with the General Contract for design, supply of equipment and construction of compressor station "Opornaya GP "SATs" in Mangistau region (Note 26).

As of December 31, 2006, advances given to third parties for capital repair works and construction also include an advance of 18,442,929 thousand Tenge paid by the Company to KazStroiService JSC for construction of new looping line (Note 26).

7. INVENTORIES

<i>In thousands of Tenge</i>	2006	2005	2004
Materials and supplies	3,617,997	4,126,106	4,860,968
Gas inventories	1,398,948	1,312,614	1,289,610
	5,016,945	5,438,720	6,150,578
Less allowance for obsolete inventory	(231,539)	(191,041)	(124,229)
	4,785,406	5,247,679	6,026,349

Materials and supplies consist mainly of spare parts for maintenance of the gas transportation system, methanol and lubricants for use in gas transportation, equipment and goods held for internal use. Gas inventories include fuel gas and gas for sale.

During 2006, the Company wrote off materials and supplies of 18,508 thousand Tenge which were fully provided in prior years.

8. TRADE AND OTHER RECEIVABLES

<i>In thousands of Tenge</i>	2006	2005	2004
Gas transit customers	6,326,695	5,115,564	4,005,583
Related parties (Note 25)	1,387,505	882,406	2,041,624
Interest receivable	25,500	620,044	-
Local customers	262,091	570,693	317,531
Other	303,628	85,668	155,261
	8,305,419	7,274,375	6,519,999
Less allowance for doubtful debts	(257,247)	(344,226)	(277,677)
	8,048,172	6,930,149	6,242,322

As of December 31, 2006 accounts receivable due from gas transit customers include 6,213,258 thousand Tenge due from Gasprom (2005: 4,794,163 thousand Tenge, 2004: 3,494,027 thousand Tenge). As of December 31, 2006, accounts receivable due from gas transit customers of 6,326,695 thousand Tenge (2005: 4,825,325 thousand Tenge, 2004: 3,494,027 thousand Tenge) and other receivables of 223,948 thousand Tenge (2005: nil, 2004: 665,012 thousand Tenge,) are denominated in US Dollars.

NOTES TO THE FINANCIAL STATEMENTS (continued)**9. INDIRECT TAXES RECOVERABLE**

<i>In thousands of Tenge</i>	2006	2005	2004
Long-term VAT recoverable	-	5,897,011	3,389,969
Short-term VAT receivable	12,563,827	3,882,241	9,110,636
Property tax	-	51,815	32,605
Withholding tax for non-residents	-	9,201	137,456
Other	266,520	167,800	8,118
	12,830,347	4,111,057	9,288,815
Less allowance for taxes recoverable	(2,717,177)	(569,797)	(371,448)
Current taxes recoverable, net	10,113,170	3,541,260	8,917,367

As of December 31, 2006 the Company was in the process of agreeing VAT recovery from the Government that was paid in the period from April 2002 to December 2006. In 2006, the Company wrote-off VAT recoverable of 365,282 thousand Tenge due to expiration of period for VAT reimbursement of 5 years. As of December 31, 2006, the Company created additional allowance against VAT recoverable of 2,617,984 thousand Tenge due to the changes tax legislation with respect to VAT reimbursement. This changes in tax legislation are effective January 1, 2007, however, due to the uncertainties surrounding future reimbursement of VAT recoverable for prior years as a results of such changes, the Company created the above mentioned allowance. During 2006, VAT recoverable of 6,104,500 thousand Tenge was recovered in cash (2005: 7,549,709 thousand Tenge, 2004: 780,163 thousand Tenge).

10. BANK DEPOSITS

<i>In thousands of Tenge</i>	2006	2005	2004
US Dollar deposits	-	7,584,295	-
Tenge deposits	-	4,207,000	2,900,000
	-	11,791,295	2,900,000

As of December 31, 2005 and 2004 the Company placed foreign currency and Tenge deposits with Kazakhstan banks with maturities more than three months, which earn an interest in the range from 8% to 9% per annum. These deposits were withdrawn in 2006.

11. CASH AND CASH EQUIVALENTS

<i>In thousands of Tenge</i>	2006	2005	2004
Tenge deposits	3,102,649	-	-
US Dollar deposits	-	1,672,125	525,067
Tenge bank accounts	825,584	1,083,109	522,171
US Dollar bank accounts	271,189	93,456	1,694
Cash on hand	12,855	9,261	2,608
	4,212,277	2,857,951	1,051,540

Weighted average effective interest rate for tenge deposits was 6% per annum in 2006. Weighted average effective interest rate for US dollar deposits was 3.95% per annum in 2005 (2004: 1.5%).

As of December 31, 2006, Tenge bank accounts include cash of 191,911 thousand Tenge held in Halyk Bank of Kazakhstan JSC (Note 25).

12. EQUITY

As of December 31, 2006 2005, and 2004 the Company's authorized, issued and fully paid up share capital consisted of 3,003,750 common voting shares and 41,250 preferred non-voting shares, both types of shares with a nominal value of 750 Tenge per share.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. EQUITY (continued)

Dividends on shares of the Company are paid in cash or by the Company's securities. The Shareholder approves the dividends. Minimum annual dividend on preferred shares is 1% of nominal value. The Company pays additional dividends on preferred shares to equate the dividend on preferred shares to the dividend on common shares for the same period. Dividends are not declared and paid on shares which were acquired by the Company. Dividends are not paid if (a) the equity becomes negative, (b) the Company becomes insolvent, (c) the court or the Shareholder decided to liquidate the Company. The Shareholder has the right to decide not to pay dividends on the Company's shares with obligatory publication in newspapers within 10 days from the date of such decision.

On July 25, 2006, Shareholder approved a dividend on preferred shares amounting to 309 thousand Tenge (2005: 1,247 thousand Tenge, 2004: 309 thousand Tenge).

In December 2006, the reserve capital was transferred to retained earnings in accordance with the resolution of Intergas International B.V.

13. LONG-TERM LOAN DUE TO RELATED PARTY

In November 2004, the Company obtained a long-term loan from Intergas Finance B.V., a subsidiary of KazTransGas JSC. Principal amount of the loan payable at maturity in November 2011 is US\$250 million. As of December 31, 2006 amortized cost of the loan includes discount and issuance cost of US\$3,258,787 (2005: US\$3,931,859). The loan has effective interest rate of 7.64% per annum. Interest is paid every 6 months starting May 2005.

As of December 31, 2006, this loan-term loan amounted to 31,336,134 thousand Tenge (2005: 32,916,535 thousand Tenge, 2004: 31,901,359 thousand Tenge).

As of December 31, 2006 interest payable on this long-term loan amounted to 349,377 thousand Tenge (2005: 368,002 thousand Tenge, 2004: 358,058 thousand Tenge).

14. BANK LOANS

As of December 31, 2006 and 2005 bank loans comprised the following:

	Issue	Maturity	Interest rate	US dollar	In thousands of Tenge		In thousands of Tenge	
					2006	2005	US dollar	2005
Citibank Kazakhstan JSC # 1	21-Oct-2005	15-Aug-2012	LIBOR + 1.75%	8,977,035	1,140,084	7,975,698	1,066,909	
DB HSBC Bank Kazakhstan JSC # 1	21-Oct-2005	15-Aug-2012	LIBOR + 1.75%	8,977,035	1,140,084	7,975,698	1,066,909	
HSBC Bank PLC	31-Oct-2005	15-Aug-2012	LIBOR + 0.30%	37,236,176	4,728,993	4,250,681	568,614	
Bridge Loan Facility	24-Oct-2006	Refinancing	LIBOR + Margin	250,000,000	31,750,000	-	-	
Citibank Kazakhstan JSC # 2	30-Nov-2005	30-May-2006	LIBOR + 1.75%	-	-	3,150,000	421,374	
DB HSBC Bank Kazakhstan JSC # 2	30-Nov-2005	28-Feb-2006	LIBOR + 2.0%	-	-	29,272,000	3,915,716	
DB ABN AMRO Bank Kazakhstan JSC	30-Nov-2005	31-Jan-2006	LIBOR + 1.65%	-	-	4,250,000	568,523	
					38,759,161		7,608,045	
Less unamortized transactions costs					(779,555)		(701,165)	
					37,979,606		6,906,880	
Less amount due for settlement within 12 months					521,524		4,905,613	
Amounts due after 12 months					37,458,082		2,001,267	

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. BANK LOANS (continued)

Amounts due after 12 months are repayable as follows:

	2006	2005
1 to 2 years	1,043,049	523,548
2 to 3 years	1,043,049	582,688
3 to 4 years	1,043,049	358,415
4 to 5 years	1,043,049	358,415
Over 5 years	33,285,886	178,201
	37,458,082	2,001,267

The Company had no bank loans as of December 31, 2004

Citibank Kazakhstan JSC # 1 and DB HSBC Bank Kazakhstan JSC # 1

In accordance with the loan agreement dated August 15, 2005, Citibank Kazakhstan JSC and DB HSBC Bank Kazakhstan JSC agreed to provide the US\$ equivalent of up to EURO 14,911,659 to the Company, being a part of the value of the General Contract for the design, supply of equipment and construction works on the compressor station at “Opornaya GP “SATS” in Mangistau region between MAN Turbo AG and the Company (Note 26). These loans are collateralized by a corporate guarantee issued by KazTransGas JSC in favour of these banks. As of December 31, 2006, the Company received US\$17,954,070 (equivalent to EURO 14,911,659) from these banks.

The total amount of these loans is repayable in equal instalments on a semi annual basis from October 2007 to August 2012. The interest is charged at LIBOR plus 1.75% per annum and paid semiannually. Additionally, the Company pays commitment fees of 0.15% per annum accrued on the undrawn amount of these loans.

HSBC Bank PLC

In accordance with the loan agreement dated August 15, 2006, Trinkaus & Burkhardt KGAA and CITIGroup Global Markets Deutschland AG & CO.KGAA agreed to provide the US\$ equivalent of EURO 44,763,860 to the Company, being a part of the value of the General Contract for the design, supply of equipment and construction works on the compressor station at “Opornaya GP “SATS” in Mangistau region between MAN Turbo AG and the Company (Note 26). These loans are collateralized by a corporate guarantee issued by KazTransGas JSC in favour of these banks. Under this loan agreement HSBC Bank PLC serves as Finance Agent. These loans are collateralized by a corporate guarantee issued by KazTransGas JSC in favour of these banks. As of December 31, 2006, the Company received US\$37,236,176 (equivalent to EURO 30,269,304) from these banks.

The Company shall repay this loan by twenty consecutive equal semi annual instalments commencing on the date falling six months from the date of readiness for operation under the General Contract or September 30, 2007, whichever is earlier. The interest is charged at LIBOR plus 0.3% per annum and paid semiannually. Additionally, the Company pays commitment fees of 0.1% per annum accrued on the undrawn amount of this loan.

Bridge Loan Facility

In accordance with the decision of the Company's management dated September 27, 2006, the Company is going to issue US\$500,000,000 Regulation S / Rule 144A Senior, Unsecured and Unsubordinated Eurobonds with a maturity of 10 years (“Eurobonds”). ABN AMRO Bank N.V. and BNP Paribas (together, “Joint Lead Managers”) indicated their interest in lead managing the proposed issuance of Eurobonds. In connection with the anticipated issuance of the Eurobonds, the Joint Lead Managers provided a Bridge Loan Facility of US\$500,000,000 (“Bridge Loan”) with an interest rate of LIBOR+Margin on October 24, 2006. Margin consists of 0.4% per annum plus the bank transfer fees. In 2006, the total interest rate was 5.7% per annum. Bridge Loan is planned to be refinanced by the issuance of Eurobonds.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. BANK LOANS (continued)

Citibank Kazakhstan JSC # 2

In August 2006, the Company amended a credit line agreement with Citibank Kazakhstan JSC to increase the amount of credit line available to the Company to US\$35,000,000. This credit line is collateralized by a corporate guarantee issued by KazTransGas JSC in favour of Citibank Kazakhstan JSC. Interest is paid monthly under this credit line agreement.

DB HSBC Bank Kazakhstan JSC # 2

In August 2005, the Company amended a credit line agreement with DB HSBC Bank Kazakhstan JSC to increase the amount of credit line available to the Company to US\$61,000,000. This credit line is collateralized by the irrevocable corporate guarantee issued by KazTransGas JSC in favour of HSBC Bank Kazakhstan JSC. Interest is paid monthly under this credit line agreement.

DB ABN AMRO Bank Kazakhstan JSC

In February 2005, the Company and DB ABN AMRO Bank Kazakhstan JSC and KazTransGas JSC amended a credit line agreement between them to decrease the amount of revolving credit line to US\$50,000,000. This credit line is collateralized by the irrevocable corporate guarantee of US\$50,000,000 issued by KazTransGas JSC in favour of DB ABN AMRO Bank Kazakhstan JSC. Interest is paid monthly under this credit line agreement.

15. TRADE AND OTHER PAYABLES

<i>In thousands of Tenge</i>	2006	2005	2004
Due for purchased gas:			
Due to third parties	781,485	630,385	238,974
Due to related parties (Note 25)	459,236	301,287	476,444
	1,240,721	931,672	715,418
Due for assets and services received:			
Due to third parties	9,377,261	3,965,442	3,734,181
Due to related parties (Note 25)	813,983	1,664,577	2,352,039
	10,191,244	5,630,019	6,086,220
	11,431,965	6,561,691	6,801,638

Accounts payable due for assets and services received primarily represent amounts due for repair and maintenance services related to the gas transportation system.

16. INDIRECT TAXES PAYABLE

<i>In thousands of Tenge</i>	2006	2005	2004
Salary related taxes	156,054	341,552	138,697
Environmental tax	129,480	73,698	26,404
Withholding tax	55,715	49,509	-
VAT fines	79,134	-	41,924
Other	13,987	34,864	492
	434,370	499,623	207,517

In 1998 the Company was subject to a tax inspection which resulted in the assessment of additional VAT of 1,065,182 thousand Tenge and related fines of 956,805 thousand Tenge. The additional VAT accruals were fully paid by the Company in 1999. Based on a Government resolution in 2001, the fines were cancelled. However, in 2002 and 2003 the tax authorities collected 530,523 thousand Tenge and 219,504 thousand Tenge, respectively, from the Company. During 2004 the tax authorities returned the amount of previously collected fines, and the Company reversed the accrual for fines and recognised the associated income of 956,805 thousand Tenge.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. OTHER CURRENT LIABILITIES

<i>In thousands of Tenge</i>	2006	2005	2004
Due to employees	442,600	513,912	265,615
Accrued vacation leave	308,541	183,485	183,485
Insurance payable (Note 25)	252,629	–	–
Advances received from third parties	132,084	40,064	44,693
Pension fund payable	120,513	93,961	77,915
Advances received from related parties (Note 25)	18,355	43,872	23,938
Dividends payable, net of withholding income tax	2,380	2,071	928
Sponsorship accrual	–	150,000	–
Interest accrued	83,526	39,623	32,977
Other	128,696	41,840	19,976
	1,489,324	1,108,828	649,527

Sponsorship accrued relates to the Company's obligation to fund certain social programs that were not settled as of December 31, 2005.

18. REVENUE

<i>In thousands of Tenge</i>	2006	2005	2004
Transportation services:			
Transportation of Central Asian gas (transit)	63,780,965	38,951,783	32,878,442
Transportation of Russian gas (transit)	10,538,368	10,637,062	10,682,599
Transportation of gas outside Kazakhstan	4,168,592	2,907,188	2,717,683
Transportation of gas within Kazakhstan	2,284,002	2,217,267	1,914,217
Transportation of Kyrgyz gas (transit)	653,747	505,790	578,933
Transportation of Uzbek gas (transit)	–	–	38,289
	81,425,674	55,219,090	48,810,163
Sales of gas	1,848,451	244,736	29,195
Revenue from technical service of gas pipeline	114,308	81,497	41,573
Storage of gas	40,710	35,670	38,509
	83,429,143	55,580,993	48,919,440

For 2006 approximately 88% of total revenue was derived from sales to Gasprom Group companies (2005: 88%, 2004: 81%).

In 2006, the Company's gas transportation services to Gasprom were provided pursuant to three contracts:

- A contract for a term of 5 years, dated November 11, 2005, which covers transportation of gas from Turkmenistan and Uzbekistan to export points on the Russia/Kazakhstan border. This contract provides for transportation of up to 52.2 bcm of natural gas in 2006, 55.7 bcm of natural gas in 2007, 55.2 bcm of natural gas in 2008, 55.2 bcm of natural gas in 2009 and 55.2 bcm of natural gas in 2010. Transportation tariff of US\$1.1 is fixed for the term of this contract. The condition for a change of tariff is the increase of tariff for gas transportation for gas supplied by Kazakhstan through Russia. Tariff for transportation of natural gas from Uzbekistan can be changed annually.
- A contract for a term of 5 years, dated November 11, 2005, which covers transit of Russian natural gas through the Orenburg-Novopskov pipeline in the northwestern Kazakhstan. This contract provides for transportation of up to 69.79 bcm of natural gas in 2006. The transportation volumes for the years from 2007 to 2010 shall be agreed on an annual basis. Transportation tariff of US\$1.1 is fixed for the term of this contract. The condition for a change of tariff is the increase of tariff for gas transportation for gas supplied by Kazakhstan through Russia.
- A contract for a term of one year, dated February 6, 2006, which covers transit of Russian natural gas through the Orenburg-Novopskov pipeline in the northwestern Kazakhstan. This contract provides for transportation of up to 6.071 bcm of natural gas in 2006. Transportation tariff of US\$1.1 is fixed for the term of this contract.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. REVENUE (continued)

In 2005, the Company's gas transportation services to Gasprom were provided pursuant to five contracts:

- Four contracts for 2005, which cover transit of Russian natural gas through Kazakhstan. These contract provides for transportation of up to an aggregate of 82.82 bcm of natural gas in 2005. In 2005, transportation tariff was US\$0.9.
- A contract for a term of 4 years, dated December 25, 2002, which (as amended) covers transportation of gas from Turkmenistan and Uzbekistan to export points on the Russia/Kazakhstan border. This contract provides for transportation of up to 47.20 bcm of Turkmen and Uzbek natural gas in 2005. In January 2005, transportation tariff was US\$0.68. From February 2005 through December 2005, transportation tariff was US\$0.76.

In 2004, the Company's gas transportation services to Gasprom were provided pursuant to two contracts:

- A contract for a term of one year, dated December 29, 2003, which covers transit of Russian natural gas through the Orenburg-Novopskov pipeline in the northwestern Kazakhstan. This contract provides for transportation of up to 92.05 bcm of natural gas in 2004. In 2004, transportation tariff was US\$0.9.
- A contract for a term of 4 years, dated December 25, 2002, which (as amended) covers transportation of gas from Turkmenistan and Uzbekistan to export points on the Russia/Kazakhstan border. This contract provides for transportation of up to 34 bcm of Turkmen natural gas and 6.70 bcm of Uzbek natural gas in 2004. In 2004, transportation tariff was US\$0.68.

In accordance with the above mentioned sales contracts with Gasprom, the Company is liable for any proved direct losses and actual fines incurred by Gasprom due to undersupplied volumes of gas. As of December 31, 2006, 2005 and 2004, the Company's management believes that there is no liability to Gasprom related to liability clause in accordance with the sales contracts.

In 2006 sales of gas, transportation and storage services rendered to related parties totalled 8,015,944 thousand Tenge (2005: 4,554,892 thousand Tenge, 2004: 5,991,884 thousand Tenge), which represents 9.6% of total revenue (2005: 8%, 2004: 12%) (Note 25).

19. COST OF SALES

<i>In thousands of Tenge</i>	2006	2005	2004
Fuel gas and gas losses	14,920,409	8,883,075	7,242,191
Salaries and related costs	7,469,912	5,608,843	4,352,129
Repair expenses	1,411,114	2,790,733	2,645,777
Depreciation and amortization	6,108,069	2,708,015	2,121,012
Maintenance – third party services	2,303,254	1,255,758	887,242
Cost of gas sold	1,757,558	97,973	21,754
Agreement expense	1,085,797	1,002,489	1,322,155
Materials expenses	768,121	284,545	910,518
Security expenses	702,609	717,892	710,700
Communication expenses	787,793	795,592	925,563
Electric power	602,845	538,817	444,980
Business trip expenses	435,289	365,179	329,461
Insurance expenses	147,473	247,145	609,627
Other	666,739	660,889	471,368
	39,166,982	25,956,945	22,994,477

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. ADMINISTRATIVE EXPENSES

<i>In thousands of Tenge</i>	2006	2005	2004
Management fees (Note 25)	3,346,959	2,696,959	2,696,959
Allowance expense for doubtful debts and obsolete inventory, net	2,877,192	153,279	(353,488)
Salaries and related costs	2,049,832	1,473,780	1,314,644
Taxes other than on income	1,121,633	857,211	377,232
Sponsorship expenses	853,685	1,572,690	111,237
Depreciation and amortization	762,575	470,487	196,785
Non-cash employee compensation cost	612,376	370,973	397,135
Research and development	394,793	344,348	513,609
Write-off of VAT recoverable	365,282	-	-
Office related expenditures	223,307	263,267	231,483
Communications	191,044	164,759	28,767
Consulting fees	405,923	152,849	335,988
Penalties and fines	277,915	12,990	150,067
Transportation expenses	115,854	104,864	73,022
Computer services expenses	100,370	37,789	17,162
Other	1,741,331	1,295,005	899,347
	15,440,071	9,971,250	6,989,949

In 2004, the Company was subject to a tax inspection for the period 1999-2002 for timeliness and completeness of taxes and obligatory payments to the state budget. As a result additional taxes of 534,415 thousand Tenge, and fines and interest of 51,791 thousand Tenge were accrued by the Company within administrative expenses.

In 2004 the Company resolved a pre-trial customer claim on for supplied gas for 415,000 thousand Tenge and, consequently accrued additional expenses of 390,000 thousand Tenge as fines for the claim within administrative expenses.

In 2004 the Company reversed an accrual for tax fines and recognised the associated income of 956,805 thousand Tenge.

Included in 2004 allowance expense for doubtful debts and obsolete inventory, net is reversal of allowance for receivables due from KazMunaiGas group of 1,221,247 thousand Tenge.

21. OTHER OPERATING INCOME / (EXPENSES)

<i>In thousands of Tenge</i>	2006	2005	2004
Other operating income			
Sale of inventories	9,507	83,325	197,816
Rental income	11,437	26,099	10,205
Accounts payable write-off	12,239	21,490	27,412
Sales of electricity	4,875	6,866	8,643
Sales of water	5,824	5,614	6,848
Reversal of over-accrued taxes	-	-	156,459
Other	34,878	146,318	140,515
	78,760	289,712	547,898
Other operating expenses			
Loss on disposal of property, plant and equipment	(267,997)	(1,370,363)	(95,602)
Cost of inventories sold	(9,370)	(64,832)	(193,697)
Write-off of accounts receivable due from Gasenergосervice	-	-	(185,539)
Other	(15,417)	(116,194)	(190,922)
	(292,784)	(1,551,389)	(665,760)

NOTES TO THE FINANCIAL STATEMENTS (continued)**22. FINANCE COST**

<i>In thousands of Tenge</i>	2006	2005	2004
Interest expense on long-term loans and long-term loan due to related party	2,822,136	2,666,675	664,881
Interest expense on bank loans and overdrafts	398,360	151,043	641,057
Interest expense on long-term financial support to related parties	255,114	1,773,548	1,496,591
Interest expense on long-term loan due to related party	84,649	89,708	14,584
	3,560,259	4,680,974	2,817,113

23. FINANCE INCOME

<i>In thousands of Tenge</i>	2006	2005	2004
Interest income on long-term financial support to related parties	777,623	382,840	459,366
Interest income on bank deposits	737,331	975,903	8,014
	1,514,954	1,358,743	467,380

24. INCOME TAX EXPENSE

The Company is subject to corporate income tax at the prevailing statutory rate of 30%.

<i>In thousands of Tenge</i>	2006	2005	2004
Current income tax	7,963,059	2,673,226	4,598,945
Deferred income tax	1,932,985	1,953,275	919,064
	9,896,044	4,626,501	5,518,009

A reconciliation of income tax expense applicable to profit before income tax at the statutory income tax rate of 30% to current income tax expense was as follows for the years ended December 31:

<i>In thousands of Tenge</i>	2006	2005	2004
Profit before income tax	28,601,948	14,486,910	17,791,729
Statutory tax rate	30%	30%	30%
Profit before income tax at the statutory tax rate	8,580,584	4,346,073	5,337,519
Tax effect of permanent differences			
Sponsorship non-deductible	255,239	393,471	33,371
Fuel gas over norms, not deductible	52,660	217,430	10,698
Non-deductible general and administrative expenses	529,867	172,100	217,133
Non-deductible expenses related to the Agreement	361,159	51,378	42,400
Non-deductible taxes and penalties	90,140	3,899	320,542
Prior year expenses	-	-	33,440
Change in unrecognized deferred tax assets	(95,695)	(382,649)	(786,257)
Non-taxable income	-	(289,667)	(287,041)
Other	122,090	114,466	596,204
	9,896,044	4,626,501	5,518,009
Effective tax rate	35%	32%	31%

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. INCOME TAX EXPENSE (continued)

As of December 31, components of deferred tax assets and liabilities are as follows:

<i>In thousands of Tenge</i>	2006	2005	2004
Deferred tax assets			
Assets managed under the Agreement	2,907,593	2,949,573	3,065,583
Loan receivable	640,702	797,899	380,686
Allowance for trade and other receivables, inventory, advances paid and taxes recoverable	899,287	339,617	256,364
Inventories	151,963	250,779	303,908
Accrued vacation and other liabilities	92,562	118,034	55,046
	4,692,107	4,455,902	4,061,587
Deferred tax liabilities			
Property, plant and equipment	(5,747,215)	(3,602,958)	(878,754)
Intangible assets	(192,796)	(125,883)	(119,848)
	(5,940,011)	(3,728,841)	(998,602)
Less unrecognized deferred tax assets	(2,907,593)	(2,949,573)	(3,332,222)
Net deferred income tax liabilities	(4,155,497)	(2,222,512)	(269,237)

At December 31, 2006, the unrecognized deferred tax asset of 2,907,593 thousand Tenge (2005: 2,949,573 thousand Tenge, 2004: 3,332,222 thousand Tenge) was related to property, plant and equipment managed and operated under the Agreement. As these assets are not recorded in the Company's accounting records for IFRS purposes a temporary difference arises. Due to the uncertainty surrounding future tax deductibility of these costs the deferred tax asset related to these assets was not recognized. Should the tax depreciation taken in prior periods be challenged and reversed by the tax authorities, it could have a material adverse effect on the Company's financial position and results of operations. Management believes, based on the results of past audits by tax authorities of the Republic of Kazakhstan, that it is not likely that previously claimed tax deductions for depreciation will be challenged, and accordingly no provision for fines and penalties was recognized in these financial statements.

25. RELATED PARTY TRANSACTIONS

Related parties include key management personnel of the Company, enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Company's key management personnel, KazMunaiGas Group companies and entities controlled by the Government.

Terms and conditions of transactions with related parties

Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for gas transportation services which are provided based on the tariffs available to related and third parties. There have been guarantees provided to related party payables (Note 26). Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash, except as discussed below. For the year ended December 31, 2006, the Company has not recorded any impairment of receivables relating to amounts owned by related parties (2005: nil, 2004: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The major transactions with related parties during the years ended December 31, 2006, 2005, and 2004 were as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)**25. RELATED PARTY TRANSACTIONS (continued)****Revenue**

<i>In thousands of Tenge</i>	2006	2005	2004
Gas transportation services			
<i>Companies under common control by KazTransGas</i>			
KazTransGas Distribution JSC	1,076,902	1,095,836	845,207
KyrKazGas LLP	653,747	225,093	–
AlmatyGas JSC	157,103	–	–
Almaty Power Consolidated JSC	121,625	45,696	–
<i>Companies under common control by KazMunaiGas</i>			
KazRosGas JSC	2,692,393	1,882,171	4,252,264
KazTransOil JSC	40,687	44,990	45,749
Tengizchevroil LLP	1,038,962	683,659	547,744
Kazakhturkmunai LLP	112	147	193
<i>Companies controlled by Government</i>			
MAEK-Kazatomprom LLP	372,216	307,467	240,434
	6,153,747	4,285,059	5,931,591
Sale of gas			
<i>KazTransGas</i>			
KazTransGas JSC	1,563,059	–	–
KazRosGas JSC	–	–	29,195
<i>Companies under common control by KazTransGas</i>			
KazTransGas Distribution JSC	259,758	244,736	–
	1,822,817	244,736	29,195
Storage of Gas			
<i>KazTransGas</i>			
KazTransGas JSC	24,684	20,947	15,590
<i>Companies under common control by KazTransGas</i>			
KazTransGas Distribution JSC	14,676	4,150	15,508
Almaty Power Consolidated JSC	20	–	–
	39,380	25,097	31,098
	8,015,944	4,554,892	5,991,884

Purchases

<i>In thousands of Tenge</i>	2006	2005	2004
Purchases of Gas			
<i>KazTransGas</i>			
KazTransGas JSC	4,232,756	2,480,650	3,527,367
<i>Companies under common control by KazTransGas</i>			
KyrKazGas LLP	–	113,426	–
KazTransGas Distribution JSC	423,721	109,416	190,774
	4,656,477	2,703,492	3,718,141
Purchases of fixed assets			
<i>KazTransGas</i>			
KazTransGas JSC	112,192	9,210,176	–
<i>Companies under common control by KazTransGas</i>			
Gasinvestservice LLP	15,642	10,363	–
KazTransGas LNG JSC	–	1,947	–
<i>KazMunaiGas</i>			
NK KazMunaiGas JCS	101,678	–	–
<i>Companies under common control by KazMunaiGas</i>			
KazTransOil JSC	181,301	–	–
NIPi CaspianMunaiGas JSC	8,913	–	–
	419,726	9,222,486	–

NOTES TO THE FINANCIAL STATEMENTS (continued)**25. RELATED PARTY TRANSACTIONS (continued)**

<i>In thousands of Tenge</i>	2006	2005	2004
Other services provided by related parties			
<i>KazTransGas</i>			
KazTransGas JSC	3,348,493	2,696,959	2,709,884
<i>Companies under common control by KazTransGas</i>			
Intergas Finance B.V.	2,451,770	2,397,758	371,937
Gasinservice LLP	380,808	323,493	304,061
KyrKazGas LLP	280,036	111,667	–
KazTransGas Distribution JSC	36,805	52,807	–
Almaty Power Consolidated JSC	2,405	987	–
Zhambyl GRES JSC	49	123	125
AUGH LLP	883	–	–
Almatyenergosbyt LLP	368	–	–
<i>Companies under common control by KazMunaiGas</i>			
Semser JSC	794,723	786,423	755,654
KazTransOil JSC	22,299	19,703	18,371
EuroAsiaAir JSC	346,390	308,953	229,000
KazMunaiGas-service LLP	127,334	156,939	148,447
KazTransOil-service JSC	62,673	–	–
KazStroiService JSC	–	–	751,085
KazTransCom JSC	–	–	960,333
KazMunaiGas-Consulting JSC	–	5,053	70
NIPi CaspianMunaiGas JSC	8,957	220	–
KMG Zhaiyk LLP	4,640	–	–
MMTs Meirim	15,680	–	–
Kazakh British University JSC	7,017	3,252	2,637
Kazakh Institute of Oil& Gas JSC (NTD development)	–	–	2,678
Ayrau Sanatorium JSC	–	–	421
<i>Companies controlled by Government</i>			
MAEK-Kazatomprom LLP	60,452	60,266	55,267
Kazakhtelecom JSC	24,278	23,806	18,828
Kazakhstan Temir Zholy JSC	3,156	3,467	9,325
Kazpost JSC	464	–	–
	7,979,680	6,951,876	6,338,123

Other services provided by related parties disclosed above include the following:

- Management fees of 3,346,959 thousand Tenge (2005: 2,696,959 thousand Tenge, 2004: 2,696,959 thousand Tenge) paid to KazTransGas JSC for management services;
- Interest of 2,451,770 thousand Tenge (2005: 2,397,758 thousand Tenge, 2004: 371,937 thousand Tenge) paid by the Company to Intergas Finance B.V. for the long-term loan (Note 13);
- Security services of 794,723 thousand Tenge (2005: 786,423 thousand Tenge, 2004: 755,654 thousand Tenge) paid to Semser JSC for security services in respect of the Company's property, plant and equipment and assets operated and managed under the Agreement.

<i>In thousands of Tenge</i>	2006	2005	2004
Other revenue from related parties			
<i>KazTransGas</i>			
KazTransGas JSC	3,642	101,503	207
<i>Companies under common control by KazTransGas</i>			
Gasinservice LLP	11,825	10	–
KazTransGas Distribution JSC	–	1	–
<i>Companies under common control by KazMunaiGas</i>			
KazMunaiGas-Consulting JSC	–	5	–
Semser JSC	–	2	–
Euro-AsiaAir JSC	–	1	–
KazTransCom JSC (rent)	–	–	12,177
KMG Trade house JSC	–	–	6,606
	15,467	101,522	18,990

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. RELATED PARTY TRANSACTIONS (continued)

Financial support

All related party financial supports are given interest free. These financial supports are initially recorded at fair value of the amounts given, thereafter accounted for at amortized cost using an effective interest rate of 7% per annum. The difference between the amounts given and fair value is recorded as finance costs.

<i>In thousands of Tenge</i>	2006	2005	2004
<i>KazTransGas</i>			
Long-term financial support given to KazTransGas JSC	5,919,746	8,375,768	14,526,193
<i>Companies under common control by KazTransGas</i>			
Long-term financial support given to Gasinservice LLP	1,759,979	-	-
Long-term financial support given to Altyn Tolkyn LLP	-	764,373	-
<i>Companies under common control by KazMunaiGas</i>			
Long-term financial support given to Semser JSC	35,758	64,724	-
	7,715,483	9,204,865	14,526,193

<i>In thousands of Tenge</i>	2006	2005	2004
<i>KazTransGas</i>			
Short-term financial support given to KazTransGas JSC	6,540,433	-	8,452,000
<i>Companies under common control by KazTransGas</i>			
Short-term financial support given to Zhambyl GRES JSC	2,085,826	-	-
Short-term financial support given to KazTransGas Distribution JSC	59,000	-	-
Short-term financial support given to Gasinservice LLP	40,100	-	-
<i>Companies under common control by KazMunaiGas</i>			
Short-term financial support given to KazMunaiGas-Service JSC	2,300,000	1,200,000	-
Short-term financial support given to Semser JSC	34,532	24,532	-
	11,059,891	1,224,532	8,452,000

The financial support given to KazTransGas JSC matures in 2007 (6,540,433 thousand Tenge), 2008 (3,057,036 thousand Tenge) and 2012 (2,862,710 thousand Tenge). During 2005, KazTransGas JSC repaid 5,528,441 thousand Tenge of the financial support (2004: 2,511,698 thousand Tenge).

In 2006, KazTransGas JSC transferred fixed assets with a fair value of 125,161 thousand Tenge, including VAT of 18,774 thousand Tenge, as a partial settlement for financial support (2005: 10,556,706 thousand Tenge, including VAT of 1,346,530 thousand Tenge; 2004 79,736 thousand Tenge, including VAT of 3,157 thousand Tenge). Additionally, in accordance with a mutual agreement, in 2005 offset of financial support against other liabilities amounted to 155,103 thousand Tenge (2004: 333,696 thousand Tenge). Under this arrangement, the Company provided 3,610,000 thousand Tenge of additional financial support to KazTransGas JSC in 2006 (2005: 2,890,000 thousand Tenge).

As of December 31, 2006, financial support provided to Gasinservice LLP amounted to 1,800,079 thousand Tenge, of which 40,100 thousand Tenge matures in 2007 and 1,759,979 thousand Tenge matures in 2008.

In 2006 the Company provided short-term financial support to Zhambyl GRES JSC amounting to 2,085,826 thousand Tenge. The financial support matures in 2007.

The Company provided long-term financial support to Altyn Tolkyn LLP amounting 936,390 thousand Tenge for the construction of recreation centre in Kyrgyzstan. This financial support was paid in 2006. As of December 31, 2006, financial support provided to Semser JSC amounted to 70,290 thousand Tenge for financing of operating activities, which matures in 2008. In 2006, Semser JSC paid 25,000 thousand Tenge.

In 2006 the Company provided short-term financial support to KazMunaiGas-Service LLP amounting to 1,100,000 thousand Tenge for the construction of hotel in Astana, Kazakhstan (2005: 1,200,000 thousand Tenge). The financial support matures in 2007.

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. RELATED PARTY TRANSACTIONS (continued)

Financial support (continued)

In 2006 the Company provided short-term financial support to KazTransGas Distribution JSC amounting to 59,000 thousand Tenge. The financial support matures in 2007.

As a result of the above transactions, the Company had the following balances due from (due to) related parties as of December 31:

<i>In thousands of Tenge</i>	2006	2005	2004
Trade and other receivables			
<i>KazTransGas</i>			
KazTransGas JSC	139,656	111,270	136,901
<i>Companies under common control by KazTransGas</i>			
KazTransGas Distribution JSC	564,836	444,118	1,299,466
KyrKazGas LLP	181,910	-	-
Gasinservice LLP	15	-	-
AGS LLP	41,139	-	-
KazTransGas LNG JSC	4,787	6,824	6,824
Almaty Power Consolidated JSC	13,855	22,324	-
<i>Companies under common control by KazMunaiGas</i>			
KazRosGas JSC	243,924	176,733	490,163
TengisChevroil LLP	132,290	53,465	-
KazTransOil JSC	8,771	14,363	18,032
Kazahturkmunay LLP	10	16	18
<i>Companies controlled by Government</i>			
MAEK-Kazatomprom	56,312	53,293	-
Semser JSC	-	-	76
KazTransCom JSC	-	-	66,447
KazStroiService JSC	-	-	23,697
	1,387,505	882,406	2,041,624

<i>In thousands of Tenge</i>	2006	2005	2004
Advances paid			
<i>Companies under common control by KazTransGas</i>			
Gasinservice LLP	-	14,556	-
Almaty Power Consolidated JSC	814	18	-
KazTransGas LNG JSC	-	-	8,752
<i>KazMunaiGas and companies controlled by KazMunaiGas</i>			
NK KazMunaiGas JCS	-	59,797	-
Kazakh British University JSC	6,651	4,264	2,903
EuroAsiaAir JSC	-	6,911	-
Semser JSC	-	-	19,387
<i>Companies controlled by Government</i>			
Kazakhtelecom JSC	19	-	-
Kazakhstan Temir Zholy JSC	1,597	1,336	1,437
	9,081	86,882	32,479

NOTES TO THE FINANCIAL STATEMENTS (continued)**25. RELATED PARTY TRANSACTIONS (continued)**

<i>In thousands of Tenge</i>	2006	2005	2004
Accounts payable due for purchased gas			
<i>KazTransGas</i>			
KazTransGas JSC	457,319	301,256	472,828
<i>Companies under common control by KazTransGas</i>			
KazTransGas Distribution JSC	1,917	31	3,616
	459,236	301,287	476,444
Accounts payable due for assets and services received			
<i>KazTransGas</i>			
KazTransGas JSC	409,621	506,297	282,689
<i>Companies under common control by KazTransGas</i>			
Gasinservice LLP	9,052	12,919	13,985
KazTransGas LNG JSC	-	2,037	-
Zhambyl GRES JSC	-	27	4
Almaty Power Consolidated JSC	-	26	-
Almatyenergosbyt LLP	277	-	-
<i>Companies under common control by KazMunaiGas</i>			
Semser JSC	62,295	77,319	73,866
NK KazMunaiGas JSC	41,881	-	-
EuroAsiaAir JSC	14,913	33,789	6,347
KazMunaiGas-Service LLP	24,790	14,233	51,961
NIPi CaspianMunaiGas JSC	10,300	-	-
KazTransOil JSC	217,299	6,788	178,117
KazTransOil Service JSC	13,347	-	-
KazTransCom JSC	-	-	367,290
KazStroiService JSC	-	-	52,183
<i>Government and companies controlled by Government</i>			
Kazakhtelecom JSC	4,371	2,172	2,646
MAEK-Kazatomprom LLP	5,837	6,188	-
The Government	-	1,002,489	1,322,155
Aktubinskoe Upravlenie Gazovogo Khozyaistva LLP	-	181	-
Kazakhstan Temir Zholy JSC	-	112	796
<i>Companies controlled by a member of key management personnel of KazMunaigas</i>			
Kazakhinstrakh JSC	252,629	-	-
	1,066,612	1,664,577	2,352,039
	1,525,848	1,965,864	2,828,483

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. RELATED PARTY TRANSACTIONS (continued)

<i>In thousands of Tenge</i>	2006	2005	2004
Advances received			
<i>Companies under common control by KazTransGas</i>			
Gasinservice LLP	14,298	11,383	11,649
<i>Companies under common control by KazMunaiGas</i>			
KazMunaiGas-Service LLP	4,057	4,057	-
Semser JSC	-	28,432	-
Tengizchevroil LLP	-	-	12,289
	18,355	43,872	23,938
Long-term loan due to related party and interest payable			
<i>Companies under common control by KazTransGas</i>			
Intergas Finance B.V. (Note 13)	31,336,134	32,916,535	31,901,359
Interest payable on long-term loan due to related party (Note 13)	349,377	368,002	358,058

In 2006, Halyk Bank of Kazakhstan JSC and Kazakhinstrakh JSC are considered related parties as they are controlled by a member of the key management personnel of KazMunaiGas. As of December 31, 2006, the Company had cash accounts in Halyk Bank of Kazakhstan JSC with total balance of 191,911 thousand Tenge (Note 11). The Company maintains insurance coverage over the assets subject to the Agreement under a policy issued by Kazakhinstrakh JSC which covers losses of up to 12,700,000 thousand Tenge for each insurance accident and 12,700,000 thousand Tenge per year in aggregate in case of act of nature. The Company also maintains insurance coverage of obligatory civil responsibility of employer under a policy issued by Kazakhinstrakh JSC which covers losses of up to 8,308,781 thousand Tenge per year in aggregate.

Compensation to Key Management Personnel

Key management personnel comprise members of the Management Board and departmental directors of the Company, totalling 47 persons as of December 31, 2006 (2005: 45, 2004: 40). Total compensation to key management personnel included in administrative expenses in the income statement amounted to 507,259 thousand Tenge for the year ended December 31, 2006 (2005: 306,523 thousand Tenge, 2004: 387,244 thousand Tenge). Compensation to key management personnel consists of the following:

<i>In thousands of Tenge</i>	2006	2005	2004
Salaries, including:	507,259	306,523	387,244
Relocation program compensation	325	104	-
Non-cash compensation costs	142,574	19,800	86,629

26. COMMITMENTS AND CONTINGENCIES

Investment and Other Obligations under the Agreement

Under the terms of the Agreement, the Company has an obligation to invest US\$30 million each year (3,810,000 thousand Tenge at 127 Tenge to US\$1 as of December 31, 2006) for the improvement and repair of the gas transportation assets transferred and for investments in new gas transportation assets. In accordance with the terms of the Agreement (Notes 1 and 5), the Company will be reimbursed for the net book value of the above investments at the time the Agreement expires. As of December 31, 2006 the Company had approximately 3,186,774 thousand Tenge in contractual commitments related to this investment obligation (2005: 2,165,644 thousand Tenge, 2004: 5,533,015 thousand Tenge).

This investment obligation is contingent upon the fulfilment of certain conditions. One of them is that the physical throughput of gas remains stable or increases from its 1996 level and another, that the ongoing business conditions of gas transport contracts with foreign customers remains on as favourable terms as they were prior to establishment of the Agreement. If gas tariffs and cash payment defaults by customers make it impractical to carry out improvement and investment, the Company is entitled to apply to the Government of Republic of Kazakhstan for an adjustment of the domestic tariff or an adjustment to the level of its investment obligations.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. COMMITMENTS AND CONTINGENCIES (continued)

Investment and Other Obligations under the Agreement (continued)

On December 23, 2005 the Company and KazStroiService JSC signed a contract for construction of new looping line sections at CAC-4 pipeline for a total amount of 64,709,400 thousand Tenge, including VAT. Contract works include detailed design and project construction. According to the contract, the work should be completed by December 23, 2007. The outstanding commitment under the contract as of December 31, 2006 is 22,825,738 thousand Tenge (2005: 64,385,618 thousand Tenge). In September 2006, the Company signed a new contract with KazStroiService JSC for additional works related to new looping line sections at CAC-4 pipeline for a total amount of 10,990,600 thousand Tenge. The outstanding commitment under this new contract as of December 31, 2006 is 10,990,600 thousand Tenge.

On January 8, 2004 KazTransGas JSC entered into a General Contract with MAN Ferrostaal Industrieanlagen GmbH for the design, supply of equipment and construction works for compressor station "Opornaya GP "SATs" (the "General Contract"). On December 14, 2004 all of the supplier's rights and obligations under the General Contract were transferred from MAN Ferrostaal Industrieanlagen GmbH to MAN TURBO AG (Germany). On March 23, 2005 all of the customer's rights and obligations under the General Contract were transferred from JSC KazTransGas to the Company. The total value of the General Contract is 84,080,178 Euro. The General Contract comprises Case 1 Work and Case 2 Work. The value of Case 1 Work amounts to the US dollar equivalent of 48,315,178 Euro and the value of Case 2 Work amounts to the US dollar equivalent of 35,765,000 Euro. As of December 31, 2006 the Company prepaid 57% of the total value of the General Contract (2005: 15%). The outstanding commitment under the General Contract is EURO 35,953,554 as of December 31, 2006 (2005: EURO 71,468,152).

From July 17, 1997, the Company is obliged to pay a royalty to the Republic of Kazakhstan amounting to approximately 2% of the throughput of gas in the Western System. However, in accordance with the Agreement, this payment is only due and payable for the Western System after the issue of the Government of Republic of Kazakhstan Resolution or order of the Ministry of Finance advising the customers of the Western System of their obligation to pay the royalty to the Company. As of December 31, 2006, no such decree had been issued. Due to the uncertainty surrounding the implementation of the royalty, the Company has to date not been charging royalty to its customers.

Also, the Company has not received any indication from Government of Republic of Kazakhstan authorities that royalties should have been or should be charged, nor that the Company is liable for any past royalty amounts. Management is working to clarify the matter with the Government of Republic of Kazakhstan and believes that no past or future royalties will be payable by the Company or its customers.

The Company is obliged, subject to certain conditions, which include tariff recovery, to design and construct the Kyrgyz By-Pass at a cost, which was estimated in the Agreement, of approximately US\$90 million to US\$100 million. This asset will be transferred to the Republic of Kazakhstan at the later of the end of the term of the Agreement or after twenty years from the completion for US\$1. Construction of this bypass has not yet begun.

Management believes that they have taken all necessary steps to fulfil the Company's obligations in this respect, as well as considering the issue of taking into management a part of gas-pipeline belonging to the Kyrgyz Republic. However, the new domestic tariffs which, per the Agreement, are a precondition for the commencement of construction of the Kyrgyz By-Pass, have not been published as of December 31, 2006.

During 2006, the Government of Republic of Kazakhstan performed a review of the Company's compliance with its obligations under the Agreement, including the fulfilment of the investment commitments as of December 31, 2005. The review of the Company's compliance with its obligations under the Agreement for 2006 will be performed in 2007. The management believes that as of December 31, 2006 the Company is in compliance with investment requirements.

Prior to December 31, 2005, the Company paid to the Government 10% of its net profits under the Agreement. On March 31, 2006 the Republic of Kazakhstan, as represented by the Ministry of Finance, and the Company signed the contract for amendments (the "Amendments") to the Agreement with the effects of the following:

- During the period from January 1, 2006 to December 31, 2007 the Company shall pay to the Government a fixed amount of 1,085,797 thousand Tenge per annum, this amount is included in cost of sales;
- During the period from January 1, 2008 to December 31, 2012 and the 5-year optional extension period, the annual payment shall be agreed at the beginning of each period, in case it is not agreed, the Company shall pay 2,082,287 thousand Tenge per annum.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. COMMITMENTS AND CONTINGENCIES (continued)

Environmental Matters

The Company is subject to various environmental laws and regulations. Management believes that the Company has met the Government's requirements concerning environmental matters.

Taxation

Kazakhstani tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities. Recent events within Kazakhstan suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As of December 31, 2006 management believes that its interpretation of the relevant legislation is appropriate and that the Company's tax, currency and customs positions will be sustained.

Legal Action and Claims

In the ordinary course of business, the Company is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Company.

Guarantees Issued by the Company

In November 2004 international bonds of Intergas Finance B.V., a subsidiary of KazTransGas JSC, were separately and jointly guaranteed by KazTransGas JSC and Intergas Central Asia JSC in the amount of US\$250 million with repayment in 7 years on November 4, 2011, with semi-annual coupon of 6.875% per annum payable through the intermediary of ABN Amro Bank N.V. and JP Morgan Securities LTD. As of December 31, 2006 management of the Company and KazTransGas JSC believe that there is no risk of acceleration of maturity of its international bonds.

As of December 31, 2006 the Company had outstanding guarantees issued in favour of DB ABN AMRO Bank Kazakhstan JSC as security for debts of KazTransGas JSC. The amount of debts secured by these guarantees was US\$50 million. As of December 31, 2006 management of the Company believes that KazTransGas JSC is in full compliance with the loan covenants, accordingly there is no risk of payments by the Company.

As of December 31, 2006 the Company had an outstanding guarantee issued in favour of DB ABN AMRO Bank Kazakhstan JSC as security for the loan of JSC ZKMK. This guarantee covers the full amount of the loan of US\$3.5 million. As of December 31, 2006 management of the Company believes that JSC ZKMK is in full compliance with the loan covenants, accordingly there is no risk of payments by the Company.

As of December 31, 2006 the Company had an outstanding guarantee issued in favour of HSBC Bank PLC as security for the loan of KazTransGas JSC. This guarantee covers the full amount of the loan of US\$52 million. As of December 31, 2006 management of the Company believes that KazTransGas JSC is in full compliance with the loan covenants, accordingly there is no risk of payments by the Company.

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company manages market risk through the periodic estimation of potential losses that could arise from adverse changes in market conditions that are considered in business planning.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's potential interest rate risk relates to interest rates associated with its loans received from banks (Note 14), long-term loan due to related party (Note 13). In 2006 the Company did not enter into any hedging instruments to mitigate any potential risks since management does not believe the interest rate risk associated with the loans and long-term loan from related party is significant because interest rates are reviewed periodically.

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity Risks

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company regularly monitors liquidity requirements and management ensures that sufficient funds are available to meet any commitments as they arise.

Credit Risks

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risks are controlled by the application of credit-sale approvals, limits and monitoring procedures. The extent of the Company's credit exposure is represented by aggregate balance of accounts receivable, a significant portion of which is from one customer. The Company does not believe that any significant customer would not meet obligations due to the nature of its services and ability to restrict or disconnect gas transportation for such customers. Further, the Company deposits cash only with large and well known banks.

Cash Flow Risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The cash flow risk is managed by the Company by budgeting and performing analysis of cash flows.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's operations are carried out primarily in Kazakhstan. Nevertheless, the Company's vast majority of cash inflows as well as accounts receivable balances are denominated in US dollars. Consequently, any significant decrease in the rate of the Kazakh Tenge may have a significant negative effect on the Company's financial position and the results of its operations.

In 2006 the Company did not hedge accounts receivable and accounts payable as well as loans denominated in foreign currencies. As of December 31, 2006, 2005, and 2004 the monetary assets and liabilities of the Company were denominated in the following currencies:

NOTES TO THE FINANCIAL STATEMENTS (continued)**27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Currency Risk (continued)**

<i>In thousands of Tenge</i>	2006			2005			2004		
	Kazakh Tenge	US dollars	Total	Kazakh Tenge	US dollars	Total	Kazakh Tenge	US dollars	Total
Non-current assets									
Financial support given to related parties, long-term portion	7,715,483	-	7,715,483	8,440,492	764,373	9,204,865	14,526,193	-	14,526,193
Long-term accounts receivable	7,896	-	7,896	8,286	-	8,286	423,933	-	423,933
VAT receivable long-term	-	-	-	5,897,011	-	5,897,011	3,389,969	-	3,389,969
Advances paid	18,474,168	7,594,217	26,068,385	68,032	1,999,511	2,067,543	-	-	-
	26,197,547	7,594,217	33,791,764	14,413,821	2,763,884	17,177,705	18,340,095	-	18,340,095
Current assets									
Trade and other receivables, gross	1,754,776	6,550,643	8,305,419	2,449,050	4,825,325	7,274,375	2,360,960	4,159,039	6,519,999
Allowance for doubtful accounts receivable	(58,433)	(198,814)	(257,247)	(344,165)	(61)	(344,226)	(124,221)	(153,456)	(277,677)
Financial support given to related parties, short-term portion	11,059,891	-	11,059,891	1,224,532	-	1,224,532	8,452,000	-	8,452,000
Advances paid, gross	385,781	7,440	393,221	156,602	-	156,602	588,354	170,435	758,789
Allowance for doubtful advances paid	(15,826)	(7,373)	(23,199)	(26,990)	-	(26,990)	(172,074)	(33,347)	(205,421)
Prepayment for corporate income tax	1,007,662	-	1,007,662	2,043,795	-	2,043,795	811,437	-	811,437
Indirect taxes recoverable, gross	12,830,347	-	12,830,347	4,111,057	-	4,111,057	9,288,815	-	9,288,815
Allowance for doubtful indirect taxes recoverable	(2,717,177)	-	(2,717,177)	(569,797)	-	(569,797)	(371,448)	-	(371,448)
Bank deposits	-	-	-	4,207,000	7,584,295	11,791,295	2,900,000	-	2,900,000
Cash and cash equivalents	3,941,088	271,189	4,212,277	1,092,369	1,765,582	2,857,951	524,779	526,761	1,051,540
	28,188,109	6,623,085	34,811,194	14,343,453	14,175,141	28,518,594	24,258,602	4,669,432	28,928,034
Total monetary assets	54,385,656	14,217,302	68,602,958	28,757,274	16,939,025	45,696,299	42,598,697	4,669,432	47,268,129

NOTES TO THE FINANCIAL STATEMENTS (continued)**27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Currency Risk (continued)**

<i>In thousands of Tenge</i>	2006			2005			2004		
	Kazakh Tenge	US dollars	Total	Kazakh Tenge	US dollars	Total	Kazakh Tenge	US dollars	Total
Non-current liabilities									
Long-term bank loans	-	37,458,082	37,458,082	-	2,001,267	2,001,267	-	-	-
Long-term loan due to related party	-	31,336,134	31,336,134	-	32,916,535	32,916,535	-	31,901,359	31,901,359
Deferred income tax liabilities	4,155,497	-	4,155,497	2,222,512	-	2,222,512	269,237	-	269,237
	4,155,497	68,794,216	72,949,713	2,222,512	34,917,802	37,140,314	269,237	31,901,359	32,170,596
Current liabilities									
Short-term bank loans	-	521,524	521,524	-	4,905,613	4,905,613	-	-	-
Interest payable on long-term loan due to related party	-	349,377	349,377	-	368,002	368,002	-	358,058	358,058
Trade and other payables	10,774,699	657,266	11,431,965	6,022,179	539,512	6,561,691	5,130,230	1,671,408	6,801,638
Indirect taxes payable	434,370	-	434,370	499,623	-	499,623	207,517	-	207,517
Other current liabilities	1,489,324	-	1,489,324	1,108,828	-	1,108,828	594,084	55,443	649,527
	12,698,393	1,528,167	14,226,560	7,630,630	5,813,127	13,443,757	5,931,831	2,084,909	8,016,740
Total monetary liabilities	16,853,890	70,322,383	87,176,273	9,853,142	40,730,929	50,584,071	6,201,068	33,986,268	40,187,336
Net balance sheet position	37,531,766	(56,105,081)	(18,573,315)	18,904,132	(23,791,904)	(4,887,772)	36,397,629	(29,316,836)	7,080,793

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Fair Value of Financial Instruments**

Substantially all the Company's monetary assets and liabilities are carried at their estimated fair values as of December 31, 2006, 2005 and 2004.

The carrying amount of cash, trade accounts receivable, accounts payable and other current monetary assets and liabilities approximates their fair value due to the short-term maturity of these financial instruments. Bank loans and long-term loan due to related party are stated at amortized costs which approximate their fair values.

The fair value of long-term accounts receivable and payable is estimated using discounted cash flow analysis based on borrowing rates currently available to the Company for bank loans with similar terms and average maturities. The fair value of long-term accounts receivable and payable is estimated to approximate carrying value.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement.

28. SUBSEQUENT EVENTS

In January 2007, the Company received US\$125,000,000 from the Joint Lead Managers (Note 14) under the Bridge Loan Facility.

In January 2007, HSBC Bank PLC provided US\$6,289,187 for financing of the General Contract (Note 14).

REGISTERED OFFICE OF THE ISSUER

Intergas Finance B.V.
Schouwburgplein 30-34
3012 CL Rotterdam,
The Netherlands

REGISTERED OFFICE OF THE GUARANTOR

JSC Intergas Central Asia
20 Kabanbay Batyr Avenue
Astana 010000
Republic of Kazakhstan

AUDITORS OF THE GUARANTOR

Ernst & Young Kazakhstan LLP
Furmanov Street, 240G
Almaty 050059
Republic of Kazakhstan

AUDITORS OF THE ISSUER

Mazars Paardekooper Hoffman N.V.
Rivium Promenade 200
3001 KC Rotterdam
The Netherlands

LEGAL ADVISERS

*To the Issuer and the Guarantor as
to United States law*

*To the Issuer and the Guarantor as
to Kazakhstan law*

*To the Issuer and the Guarantor
as to Dutch law
(excluding Dutch tax law)*

Baker & McKenzie LLP

100 New Bridge Street
London EC4V 6JA
United Kingdom

Baker & McKenzie - CIS Limited

Samal Towers, 14th Floor
97, Zholdasbekov Street
Samal - 2, 050051 Almaty
Republic of Kazakhstan

NautaDutilh N.V.

Weena 750
3014 DA Rotterdam
The Netherlands

*To the Managers as to English
and United States law and to the Trustee as to
English law*

*To the Managers
as to Kazakhstan law*

White & Case LLP

5 Old Broad Street
London EC2N 1DW
United Kingdom

White & Case Kazakhstan LLP

117/6 Dostyk Avenue
Almaty 050059
Republic of Kazakhstan

**PRINCIPAL PAYING
AGENT AND TRANSFER
AGENT**

The Bank of New York
101 Barclay Street
New York, NY 10286
United States

**PAYING AGENT
AND TRANSFER AGENT**

The Bank of New York
One Canada Square
London E14 5AL
United Kingdom

REGISTRAR

The Bank of New York
101 Barclay Street
New York, NY 10286
United States

TRUSTEE

BNY Corporate Trustee Services Limited
One Canada Square
London E14 5AL
United Kingdom

