PETROKAZAKHSTAN INC
Form 6-K
March 04, 2004

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 UNDER

THE SECURITIES EXCHANGE ACT OF 1934

For the month of March 04, 2004

PetroKazakhstan Inc.

(Translation of registrant s name into English)

140-4th Ave. S.W. #1460, Calgary AB, T2P 3N3

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F: Form 20-F ¨ Form 40-F x

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes ¨ No x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant, has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 04, 2004
PetroKazakhstan

By: /s/ Ihor Wasylkiw

Ihor Wasylkiw, P. Eng.

Vice President Investor Relations

NEWS RELEASE

FOR IMMEDIATE RELEASE March 04, 2004
FOR: PETROKAZAKHSTAN INC.
SUBJECT: Fourth Quarter and Year 2003 Financial Results

CALGARY, Alberta PetroKazakhstan Inc. (PetroKazakhstan) announces its financial results for the three months ending December 31, 2003 and for the year ended December 31, 2003. **All amounts are expressed in U.S. dollars unless otherwise indicated**.

HIGHLIGHTS:

Record year of production, earnings and cash flow

Completion of significant capital projects including the KAM pipeline, the Kumkol gas-fired power plant and the Shymkent VGO production unit

Material reduction of transportation costs

Expansion of transportation routes including CPC and new routes to China and Iran

Appraisal of North Nurali discovery

Adoption of a regular quarterly dividend policy

FINANCIAL HIGHLIGHTS:

(in millions of US$ except per share amounts)	**Three Months ended December 31**		**Year ended December 31**	
	2003	**2002**	**2003**	**2002**
Gross Revenue	310,648	256,659	1,117,324	825,350
Net income	90,320	45,138	317,488	162,568
Per share (basic)	1.16	0.56	4.06	2.01
Per share (diluted)	1.11	0.54	3.92	1.93
Cash flow	111,539	56,380	399,931	216,794
Per share (basic)	1.43	0.70	5.12	2.68
Per share (diluted)	1.38	0.67	4.92	2.57
Weight Average Shares Outstanding				
Basic	77,827,328	80,291,859	78,149,903	80,853,597
Diluted	81,110,704	83,572,269	81,292,206	84,200,536
Shares Outstanding at End of Period	77,920,226	78,956,875	77,920,226	78,956,857

The Company announces fourth-quarter 2003 net income of $90.3 million ($1.16 per share) after one-time tax charges of $8.7 million compared with $45.1 million ($0.56 per share) for the same period in 2002. Cash flow for the fourth quarter of 2003 was $111.5 million ($1.43 per share) versus $56.4 million ($0.70 per share) for the same period in 2002.

For the year ended December 31, 2003, net income was $317.5 million ($4.06 per share) compared with net income of $162.6 million ($2.01 per share) in 2002. Cash flow for the year was $399.9 million ($5.12 per share) compared to $216.8 million ($2.68 per share) for 2002.

The Company had record net income in 2003. Higher production, improvements in the Company s transportation costs and higher prices all contributed to the higher earnings.

1

As at December 31, 2003 there were approximately 1.9 million barrels of non-Free Carrier Agreement (non-FCA) sales incomplete and in inventory, this reflects the dramatic increase of non-FCA sales. This led to the deferral of an estimated $15.6 million of net income (or $0.20 per share) into the first quarter of 2004. By the end of 2003 there were no crude oil sales sold on an FCA basis.

UPSTREAM OPERATIONS REVIEW

Production

As previously announced, for the fourth quarter 2003, production averaged 164,559 barrels of oil per day (bopd) and for the year as a whole production averaged 151,349 bopd. This represents an 11.4% increase versus 2002.

Production costs were $1.19 per barrel, as compared to $1.22 in 2002.

Current production is reduced by some 20,000 bopd down to a current rate of 145,000 bopd, due to technical issues regarding the production regime of 19 border wells between Kumkol South (PetroKazakhstan 100% owned and operated) and Kumkol North (PetroKazakhstan and LUKoil joint venture, operated by Turgai Petroleum). A technical solution, which calls for monitoring of well pressures without loss of production or reserves from Kumkol South and would allow the currently shut in wells to resume production without delay, has been presented to the competent technical authorities and is waiting for ratification.

Exploration and Appraisal

Two further wells were drilled to delineate the North Nurali field. NN6, located to the west at a deeper horizon encountered 5 zones in the expected sand intervals but flow rates could not be obtained from the tight reservoir. Fracture stimulation is being designed to evaluate commerciality. As previously disclosed, fracture stimulation increased production from 300 bopd to 1,500 bopd in the North Nurali 2 well. NN8, drilled to delineate the southern extent of the field encountered wet sands. Further appraisal wells and fracture stimulation are planned after new seismic interpretation. A pilot production phase will be initiated in the second quarter of 2004 with extended periods of production in preparation for the design and implementation of full field development.

An exploration well was drilled in the Dongelek prospect in the Saralyn graben, previously designated as Lead A to the north of the Kumkol field. Reservoir quality sands were found but were water bearing.

A deep well in the Aryskum field will be drilled in March.

Well Kyzylkiya 34 (KK34), drilled in the newly acquired License 952 (the Kolzhan License) to a depth of 1,530 meters, flowed light oil at rates up to 350 bopd on a restricted choke. Reservoir pressure and fluid analysis confirms direct communication with the main Kyzylkiya field to the south.

Reserve Report

National Instrument 51-101 (Standards of Disclosure for Oil and Natural Gas Activities) in Canada has redefined the manner in which companies are required to report their reserves. NI 51-101 establishes new and stricter definitions for proven, probable and possible reserves. Although eligible for an exemption from the standards imposed by NI 51-101, the Company has continually sought to provide the highest level of disclosure to its shareholders and as such has complied with the new policy.

Under the new standards, total proved reserves have decreased by 7.8 million barrels from 356.3 to 348.5 million barrels. Proved plus Probable reserves have decreased from 518.3 million barrels to 490.0 million barrels as of January 1, 2004. This represents an 86% and 49% replacement of 2003 production (55.24 million barrels) for the proved and proved plus probable categories respectively. Corresponding reserve life indices are 6.3 and 8.9 years.

Additionally gas reserves of 5.5 million barrels oil equivalent (boe) are now recognized as the development plans for these reserves are underway, following the start-up of the new 55 megawatt gas-fired power plant at Kumkol.

Fundamentally PetroKazakhstan does not see a decrease in its reserve base but rather views the 2003 reserves as a more conservative estimate of the Company s resource base. The independent assessment by McDaniel & Associates Consultants Ltd. increases PetroKazakhstan s reserves in a number of key areas but reduces reserves or does not credit the company with reserves that in the past would have been added to the resource base. In particular, while the Company is pleased with the results of its appraisal program in North Nurali, the independent reserve auditors have not recognized this success at this stage.

McDaniel & Associates estimate that PetroKazakhstan s proved plus probable plus possible reserves as of January 1, 2004 is now 725.3 million barrels. The Company will continue to focus on the movement of reserves from the possible category to the probable and proved categories. A continuation of our successful exploration program will be key to these reserve enhancements.

Five year finding and development costs were $1.85/bbl for proved reserves plus probable reserves and $1.54/bbl for proved reserves.

TRANSPORTATION OF CRUDE OIL TO EXPORT MARKETS

The Company has continued to successfully expand the options available with regard to the export of crude oil. Shipments to Iran continue and are expected to grow to their contractual maximum of 21,200 bopd (one million tonnes) by mid 2004. The capacity at Rey terminal will be further increased during the first half of 2004 to ensure there is sufficient spare capacity to handle the fluctuations in rail car arrival. Additionally, exports by our Turgai Joint Venture (50%) through the Caspian Pipeline Consortium (CPC) pipeline started in October 2003, increased steadily and will reach 31,000 bopd (gross) in March 2004.

REFINERY OPERATIONS AND REFINED PRODUCT SALES

The Shymkent refinery continued to achieve further gains in operating efficiency particularly through energy savings and yield improvements.

Refining costs were $0.51 per barrel as compared to $0.80 per barrel in 2002.

The Vacuum Distillation Unit (VDU) was completed and started successfully in test mode. The production of Vacuum Gas Oil (VGO) will reduce the production of mazut, a low value product which is in excess supply in the region and will add value as VGO is a highly desirable and high value feedstock for refineries equipped with catalytic cracker units. Over the last two years and prior to the start-up of the VDU, the mazut yield had been reduced from 42% to approximately 30%. Subject to market conditions, the VDU provides the flexibility to reduce the mazut yield as low as 14%.

Product prices for the full year 2003 returned approximately to the levels seen in 2001 after their decline in 2002. This return reflected increases in Russian refined product prices and strong economic growth in the region.

DIVIDEND POLICY

The Board of Directors has decided to introduce a regular quarterly dividend policy, following recent trends in its peers group.

The first regular quarterly dividend was declared at Canadian $0.15 per share to shareholders of record on April 16, 2004, and will be paid on May 3, 2004.

ANNUAL GENERAL MEETING

PetroKazakhstan advises that the Annual General Meeting of Shareholders will be held at 11:00 am Mountain time (1:00 p.m. Eastern) on Tuesday, May 4, 2004 at the Hyatt Regency Hotel on Stephen Avenue Walk, 700 Centre Street S.E., Calgary, Alberta, Canada. Only shareholders of record on April 2, 2004 will be entitled to vote.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

A full MD&A of the Fourth Quarter of 2003 is available on the Company s website and can also be obtained on application from the Company.

PetroKazakhstan Inc. is a vertically integrated, international energy company, celebrating its seventh year of operations in the Republic of Kazakhstan. It is engaged in the acquisition, exploration, development and production of oil and gas, refining of oil and the sale of oil and refined products.

PetroKazakhstan shares trade on the New York Stock Exchange, The Toronto Stock Exchange, the London Stock Exchange, and the Frankfurt exchange under the worldwide symbol PKZ. The Company s website can be accessed at www.petrokazakhstan.com.

The Toronto Stock Exchange has neither approved nor disapproved the information contained herein.

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This news release contains statements that constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors. You are referred to our Annual Report on Form 20-F and our other filings with the U.S. Securities and Exchange Commission and the Canadian securities commissions for a discussion of the various factors that may affect our future performance and other important risk factors concerning us and our operations.

INTERIM CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS, (DEFICIT)

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS, EXCEPT PER SHARE AMOUNTS) UNAUDITED

	Three months ended December 31		Years ended December 31	
	2003	**2002**	**2003**	**2002**
REVENUE				
Crude oil	180,754	161,508	621,126	481,114
Refined products	121,557	92,163	481,326	332,639
Service fees	7,341	2,147	11,532	9,646
Interest income	996	841	3,340	1,951
	310,648	256,659	1,117,324	825,350
EXPENSES				
Production	15,555	18,927	65,516	60,596
Royalties and taxes	28,146	25,005	82,295	68,714
Transportation	53,396	63,670	224,987	163,801
Refining	4,618	4,114	15,539	21,721
Crude oil and refined product purchases	14,066	22,913	56,460	73,327
Selling	7,390	4,529	26,540	23,253
General and administrative	18,135	16,609	58,489	58,879
Interest and financing costs	6,818	9,395	35,579	35,473
Depletion and depreciation	21,107	16,024	81,985	45,088
Foreign exchange (gain) loss	(1,757)	462	(5,333)	2,233
	167,474	181,648	642,057	553,085
INCOME BEFORE UNUSUAL ITEMS	143,174	75,011	475,267	272,265
UNUSUAL ITEMS				
Arbitration settlement				7,134
INCOME BEFORE INCOME TAXES	143,174	75,011	475,267	265,131
INCOME TAXES (Note 12)				
Current provision	56,236	36,102	165,379	100,808
Future income tax	(3,898)	(6,625)	(9,938)	(313)
	52,338	29,477	155,441	100,495
NET INCOME BEFORE NON-CONTROLLING INTEREST	90,836	45,534	319,826	164,636
NON-CONTROLLING INTEREST	516	396	2,338	2,068
NET INCOME	90,320	45,138	317,488	162,568
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR	294,733	48,877	78,821	(66,366)
Normal Course Issuer Bid		(15,186)	(11,232)	(17,350)
Preferred share dividends	(8)	(8)	(32)	(31)
RETAINED EARNINGS, END OF YEAR	385,045	78,821	385,045	78,821

BASIC NET INCOME PER SHARE (Note 13)	1.16	0.56	4.06	2.01
DILUTED NET INCOME PER SHARE (Note 13)	1.11	0.54	3.92	1.93

5

INTERIM CONSOLIDATED BALANCE SHEETS

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

UNAUDITED

	2003	2002
ASSETS		
CURRENT		
Cash (Note 5)	184,660	74,796
Accounts receivable (Note 6)	150,293	92,431
Inventory	36,920	40,529
Prepaid expenses	44,901	44,594
Current portion of future income tax asset	14,697	9,049
	431,471	261,399
Deferred charges	6,729	5,321
Restricted cash (Note 7)	35,468	
Future income tax asset	24,815	24,529
Property, plant and equipment	527,136	405,479
TOTAL ASSETS	1,025,619	696,728
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	88,422	90,522
Short-term debt (Note 9)	73,225	16,307
Prepayments for crude oil and refined products	6,652	3,540
	168,299	110,369
Long-term debt (Note 10)	246,655	281,797
Provision for future site restoration costs	6,567	4,167
Future income tax liability	13,012	17,015
	434,533	413,348
Non-controlling interest	13,091	10,753
Preferred shares of subsidiary	80	83
COMMITMENTS AND CONTINGENCIES (Note 17)		
SHAREHOLDERS EQUITY		
Share capital (Note 11)	191,695	193,723
Contributed surplus (Notes 2, 11)	1,175	
Retained earnings	385,045	78,821
	577,915	272,544
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	1,025,619	696,728

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

UNAUDITED

	Three months ended December 31		Years ended December 31	
	2003	**2002**	**2003**	**2002**
OPERATING ACTIVITIES				
Net income	90,320	45,138	317,488	162,568
Items not affecting cash:				
Depletion and depreciation	21,107	16,024	81,985	45,088
Amortization of deferred charges	374	389	3,936	1,402
Non-controlling interest	516	396	2,338	2,068
Other non-cash charges	3,120	1,058	4,122	5,981
Future income tax	(3,898)	(6,625)	(9,938)	(313)
Cash flow	111,539	56,380	399,931	216,794
Changes in non-cash operating working capital items (Note 15)	(15,119)	(6,268)	(60,581)	(37,816)
Cash flow from operating activities	96,420	50,112	339,350	178,978
FINANCING ACTIVITIES				
Short-term debt, net (Note 15)	(2,575)	(45,331)	5,806	(26,610)
Purchase of common shares (Note 11)		(20,483)	(14,848)	(23,549)
Long-term debt (Notes 10, 15)	(70,176)	(34,272)	12,364	(17,658)
Deferred charges paid	(41)	(2,850)	(3,642)	(2,850)
Proceeds from issue of share capital, net of share issuance costs	796	677	1,588	1,417
Preferred share dividends	(8)	(8)	(32)	(31)
Cash flow (used in) from financing activities	(72,004)	(102,267)	1,236	(69,281)
INVESTING ACTIVITIES				
Restricted cash (Note 7)			(35,468)	
Capital expenditures	(74,990)	(35,293)	(196,470)	(136,852)
Proceeds from sale of property, plant and equipment			1,258	
Long-term investment				40,000
Acquisition of subsidiary, net of cash acquired	(38)		(38)	(2,853)
Purchase of preferred shares of subsidiary		(2)	(4)	(8)
Cash flow used in investing activities	(75,028)	(35,295)	(230,722)	(99,713)
(DECREASE) INCREASE IN CASH	(50,612)	(87,450)	109,864	9,984
CASH, BEGINNING OF PERIOD	235,272	162,246	74,796	64,812
CASH, END OF PERIOD	184,660	74,796	184,660	74,796

7

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(EXPRESSED IN UNITED STATES DOLLARS, TABULAR AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT

WHERE INDICATED OTHERWISE)

UNAUDITED

1 SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements of PetroKazakhstan Inc. (PetroKazakhstan or the Corporation) have been prepared by management, in accordance with generally accepted accounting principles in Canada. PetroKazakhstan Inc. was formerly known as Hurricane Hydrocarbons Ltd. Its main operating subsidiaries Hurricane Kumkol Munai (HKM) and Hurricane Oil Products (HOP) were renamed PetroKazakhstan Kumkol Resources (PKKR) and PetroKazakhstan Oil Products (PKOP), respectively. Certain information and disclosures normally required to be included in the notes to the annual financial statements have been omitted or condensed. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto in PetroKazakhstan s Annual Report for the year ended December 31, 2002. The accounting principles applied are consistent with those as set out in the Corporation s annual financial statements for the year ended December 31, 2002.

The presentation of certain amounts for previous periods has been changed to conform with the presentation adopted for the current period.

2 CHANGES IN ACCOUNTING STANDARDS

Effective January 1, 2002 the Corporation adopted the recommendations of the Canadian Institute of Chartered Accountants regarding stock based compensation. The Canadian Institute of Chartered Accountants revised their recommendations and effective January 1, 2004 recognition of compensation expense using the fair value of the equity instrument granted is required. The Corporation has adopted this recommendation on a prospective basis, effective January 1, 2003 as provided under the transitional provisions. Accordingly, the Corporation has recognized compensation expense for all common stock options granted to employees and non-executive directors on or after January 1, 2003 using the estimated fair value. The Corporation has recorded compensation expense of $1.2 million in general and administrative expenses within the consolidated statements of income and retained earnings for the three months and year ended December 31, 2003 with a corresponding increase in contributed surplus within shareholder s equity. Compensation expense for options granted on or after January 1, 2003 is recognized as compensation expense over the vesting period of the respective options. For common share options granted prior to January 1, 2003 the Corporation discloses the pro forma impact on net income and net income per share as if the estimated fair value of common stock options granted had been recognized as an expense.

3 SEGMENTED INFORMATION

On a primary basis, the business segments are:

Upstream comprising the exploration, development and production of crude oil and natural gas.

Downstream comprising refining and the marketing of refined products and the management of the marketing of crude oil.

Upstream results include revenue from crude oil sales to Downstream, reflected as crude oil purchases in Downstream, as this presentation properly reflects segment results. This revenue is eliminated on consolidation.

The consolidated income tax impact of non-deductible interest expense of $2.6 million for the year ended December 31, 2003 ($7.5 million 2002) has been allocated to Corporate.

Three Months Ended December 31, 2003

	Upstream	Downstream	Corporate	Eliminations	Consolidated
REVENUE					
Crude oil	205,519			(24,765)	180,754
Refined products	34,676	102,152		(15,271)	121,557
Service fees	5,868	1,256	217		7,341
Interest income	217	112	667		996
	246,280	103,520	884	(40,036)	310,648
EXPENSES					
Production	15,555				15,555
Royalties and taxes	29,160	(1,014)			28,146
Transportation	53,421	(25)			53,396
Refining		4,618			4,618
Crude oil and refined product purchases	23,132	30,970		(40,036)	14,066
Selling	2,630	4,760			7,390
General and administrative	9,185	6,375	2,575		18,135
Interest and financing costs	6,109	695	14		6,818
Depletion and depreciation	16,263	4,744	100		21,107
Foreign exchange loss (gain)	4,910	(7,840)	1,173		(1,757)
	160,365	43,283	3,862	(40,036)	167,474
INCOME (LOSS) BEFORE INCOME TAXES	85,915	60,237	(2,978)		143,174
INCOME TAXES					
Current provision	43,023	13,277	(64)		56,236
Future income tax	(18,079)	14,181			(3,898)
	24,944	27,458	(64)		52,338
NON-CONTROLLING INTEREST		516			516
NET INCOME (LOSS)	60,971	32,263	(2,914)		90,320

There were no sales to an individual customer in excess of 10% of consolidated revenue.

Revenue eliminations are intersegment revenue.

Three months ended December 31, 2003	Export	Domestic	Consolidated
Crude oil	164,544	16,210	180,754
Refined products	31,348	90,209	121,557

As at December 31, 2003

	Upstream	Downstream	Corporate	Consolidated

Total assets	721,859	157,474	146,286	1,025,619
Total liabilities	387,087	45,383	2,063	434,533
Capital expenditures in the quarter	71,362	7,509	248	79,119

Three Months Ended December 31, 2002

	Upstream	Downstream	Corporate	Eliminations	Consolidated
REVENUE					
Crude oil	181,236			(19,728)	161,508
Refined products	6,345	87,885		(2,067)	92,163
Service fees	1,471	657	19		2,147
Interest income	(21)	116	746		841
	189,031	88,658	765	(21,795)	256,659
EXPENSES					
Production	18,927				18,927
Royalties and taxes	19,057	5,948			25,005
Transportation	63,660	10			63,670
Refining		4,114			4,114
Crude oil and refined product purchases	17,609	27,099		(21,795)	22,913
Selling	795	3,734			4,529
General and administrative	12,108	5,401	(900)		16,609
Interest and financing costs	2,728	349	6,318		9,395
Depletion and depreciation	11,484	4,516	24		16,024
Foreign exchange loss	140	235	87		462
	146,508	51,406	5,529	(21,795)	181,648
INCOME (LOSS) BEFORE INCOME TAXES	42,523	37,252	(4,764)		75,011
INCOME TAXES					
Current provision	22,085	11,928	2,089		36,102
Future income tax	(7,770)	1,145			(6,625)
	14,315	13,073	2,089		29,477
NON-CONTROLLING INTEREST		396			396
NET INCOME (LOSS)	28,208	23,783	(6,853)		45,138

There were no sales to an individual customer in excess of 10% of consolidated revenue.

Three months ended December 31, 2002	Export	Domestic	Consolidated
Crude oil	145,916	15,592	161,508
Refined products	15,605	76,558	92,163

As at December 31, 2002	Upstream	Downstream	Corporate	Consolidated
Total assets	493,920	169,071	33,737	696,728
Total liabilities	148,247	36,859	228,242	413,348
Capital expenditures in the quarter	36,990	1,765	(212)	38,543

11

Year Ended December 31, 2003

	Upstream	Downstream	Corporate	Eliminations	Consolidated
REVENUE					
Crude oil	729,607			(108,481)	621,126
Refined products	77,618	441,200		(37,492)	481,326
Service fees	9,086	2,191	255		11,532
Interest income	936	416	1,988		3,340
	817,247	443,807	2,243	(145,973)	1,117,324
EXPENSES					
Production	65,516				65,516
Royalties and taxes	80,046	2,249			82,295
Transportation	223,000	1,987			224,987
Refining		15,539			15,539
Crude oil and refined product purchases	55,467	146,966		(145,973)	56,460
Selling	10,508	16,032			26,540
General and administrative	32,721	20,285	5,483		58,489
Interest and financing costs	24,226	2,576	8,777		35,579
Depletion and depreciation	62,954	18,849	182		81,985
Foreign exchange loss (gain)	2,632	(9,863)	1,898		(5,333)
	557,070	214,620	16,340	(145,973)	642,057
INCOME (LOSS) BEFORE INCOME TAXES	260,177	229,187	(14,097)		475,267
INCOME TAXES					
Current provision	108,350	52,670	4,359		165,379
Future income tax	(25,900)	15,962			(9,938)
	82,450	68,632	4,359		155,441
NON-CONTROLLING INTEREST		2,338			2,338
NET INCOME (LOSS)	177,727	158,217	(18,456)		317,488

There were no sales to an individual customer in excess of 10% of consolidated revenue.

Year ended December 31, 2003	Export	Domestic	Consolidated
Crude oil	596,673	24,453	621,126
Refined products	113,700	367,626	481,326

As at December 31, 2003	Upstream	Downstream	Corporate	Consolidated
Total assets	721,859	157,474	146,286	1,025,619
Total liabilities	387,087	45,383	2,063	434,533
Capital expenditures for the year	183,134	19,070	1,009	203,213

Year Ended December 31, 2002

	Upstream	Downstream	Corporate	Eliminations	Consolidated
REVENUE					
Crude oil	566,033			(84,919)	481,114
Refined products	97,761	266,420		(31,542)	332,639
Processing fees	5,610	3,423	613		9,646
Interest and other income	282	217	1,452		1,951
	669,686	270,060	2,065	(116,461)	825,350
EXPENSES					
Production	60,596				60,596
Royalties and taxes	61,400	7,314			68,714
Transportation	163,791	10			163,801
Refining		21,721			21,721
Crude oil and refined product purchases	68,758	121,030		(116,461)	73,327
Selling	6,815	16,438			23,253
General and administrative	37,093	17,216	4,570		58,879
Interest and financing costs	9,023	1,514	24,936		35,473
Depletion and depreciation	31,647	13,347	94		45,088
Foreign exchange loss	1,024	995	214		2,233
	440,147	199,585	29,814	(116,461)	553,085
INCOME (LOSS) BEFORE UNUSUAL ITEMS	229,539	70,475	(27,749)		272,265
UNUSUAL ITEM					
Arbitration settlement	7,134				7,134
INCOME BEFORE INCOME TAXES	222,405	70,475	(27,749)		265,131
INCOME TAXES					
Current provision	71,981	26,463	2,364		100,808
Future income tax	256	(569)			(313)
	72,237	25,894	2,364		100,495
NON-CONTROLLING INTEREST		2,068			2,068
NET INCOME (LOSS)	150,168	42,513	(30,113)		162,568

Included in Upstream crude oil revenue are sales to one customer in the amount of $103.0 million.

Year ended December 31, 2002	**Export**	**Domestic**	**Consolidated**
Crude oil	445,290	35,824	481,114
Refined products	53,711	278,928	332,639

As at December 31, 2002	Upstream	Downstream	Corporate	Consolidated
Total assets	493,920	169,071	33,737	696,728
Total liabilities	148,247	36,859	228,242	413,348
Capital expenditures for the year	131,875	8,227		140,102

4 JOINT VENTURES

The Corporation has the following interests in two joint ventures:

a) a 50% equity shareholding with equivalent voting power in Turgai Petroleum CJSC (Turgai), which operates the northern part of the Kumkol field in Kazakhstan.

b) a 50% equity shareholding with equivalent voting power in LLP Kazgermunai (Kazgermunai), which operates three oil fields in Kazakhstan: Akshabulak, Nurali and Aksai.

The following amounts are included in the Corporation s consolidated financial statements as a result of the proportionate consolidation of its joint ventures before consolidation eliminations:

	Three months ended December 31, 2003		
	Turgai	**Kazgermunai**	**Total**
Revenue	28,325	36,400	64,725
Expenses	22,721	27,339	50,060
Net income	5,604	9,061	14,665
Cash flow from operating activities	10,701	13,419	24,120
Cash flow used in financing activities		(3,301)	(3,301)
Cash flow used in investing activities	(20,436)	(10,789)	(31,225)

The revenue for the three months ended December 31, 2003 includes $5.4 million of crude oil sales made by Turgai to Downstream. This amount was eliminated on consolidation.

	Three months ended December 31, 2002		
	Turgai	**Kazgermunai**	**Total**
Revenue	20,143	15,262	35,405
Expenses	15,938	10,958	26,896