

## PRESS-RELEASE

### **KMG EP announces operating results for the full year of 2011 and budget for 2012**

**Astana, 9 January, 2012.** JSC KazMunaiGas Exploration Production (“KMG EP” or “the Company”) announces its 2011 production results and budget for 2012.

#### **Production in 2011**

JSC KazMunaiGas Exploration Production (“KMG EP” or “the Company”) produced 12,341 thousand tonnes of crude oil (250 kbopd), including the Company’s stakes in Kazgermunai (KGM), CCEL and PetroKazakhstan Inc. (PKI). This is 944 thousand tonnes or 7% less than in 2010.

Uzenmunaigas (UMG) produced 5,082 thousand tonnes (102 kbopd), which is 884 thousand tonnes less than in 2010. Embamunaigas (EMG) produced 2,818 thousand tonnes (57 kbopd), which is 18 thousand tonnes more than in 2010. The total volume of the oil produced at the production facilities of UMG and EMG in 2011 is 7,900 thousand tonnes of oil (159 kbopd), which is 866 thousand tonnes or 10% less than in 2010.

The results were negatively affected by the illegal industrial action at UMG during May-August 2011 and a number of emergency power cuts in the fields during January-April 2011 caused by severe weather conditions. Recent measures taken at UMG have resulted in increased daily production, which has reached 14.2 thousand tonnes (105 kbopd) on December 31, 2011.

The Company’s share in the production volumes from KGM, CCEL and PKI in 2011 amounted to 4,442 thousand tonnes of crude oil (91 kbopd) which is 78 thousand tonnes or 2% less than in 2010, in accordance with production plans for these companies.

#### **Outlook for 2012**

The Company’s Budget for 2012 is based on the oil price of US\$80 per barrel which is in line with the Government’s macroeconomic forecast and the oil price assumption used by the Company’s parent company “National Company KazMunayGas”. In 2012 the Company is planning to spend about 126.5bn Tenge (US\$852m) on capital expenditure, which is 19% more than the planned amount in 2011, mainly due to increased expenditure on exploration and expenditure associated with setting up two new service companies as described below. In addition, the Company is planning to invest US\$64m in 2012 to continue exploration of Fedorovsky block in which KMG EP holds a 50% stake accounted for using equity method.

Production in 2012 at UMG and EMG is expected to be 8,615 thousand tonnes (174 kbopd), including 5,800 thousand tonnes at UMG and 2,815 thousand tonnes at EMG, which is 9% higher compared with 7,900 thousand tonnes (159 kbopd) produced in 2011. Annual supply to the domestic market from UMG and EMG in 2012 is expected at the level of 2.1 million tonnes (42 kbopd). The budgeted price for the domestic supply is 34.0 thousand Tenge per tonne, which is 25% higher than in 2011 (27.3 thousand Tenge).

The Company’s share in the planned production of KGM, CCEL and PKI in 2012 is estimated at 4,441 thousand tonnes (92 kbopd). Accordingly, consolidated production of KMG EP including its share in production of its associates and joint ventures is planned to be 13,056 thousand tonnes (265 kbopd) in 2012, which is 715 thousand tonnes or 6% more than in 2011.

In December 2011, the Company was instructed by the government of the Republic of Kazakhstan to improve social conditions in the Mangistau region through creating additional jobs. The Board of Directors has expressed understanding of the Government's position and is setting up two service companies (transportation and drilling) with headcount in excess of 2000 employees, to provide services to KMG EP and other oil companies operating in Mangistau region. According to a preliminary estimate, this leads to increased operating and capital costs in 2012 of 12.3bn Tenge (US\$83m) and 8.3bn Tenge (US\$56m) above previously planned levels, respectively. These costs, which are included in the 2012 budget referred to above, are expected to be partly offset by revenues received from selling services to third parties. The Board of directors of KMG EP is in discussion with the government and Sovereign Wealth Fund Samruk-Kazyna to ensure shareholder interests are properly taken into consideration.

## NOTES TO EDITORS

KMG EP is among the top three Kazakh oil and gas producers. The overall production in 2011 was 12.3mt (an average of 250 kbopd) of crude oil, including the Company's share in Kazgermunai, CCEL and PKI. The total volume of proved and probable reserves, as at the end of 2010 was 232mt (1.7bn bbl), including shares in the associates of about 2.2 bn barrels. The Company's shares are listed on the Kazakhstan Stock Exchange and the GDRs are listed on The London Stock Exchange. The Company raised over US\$2bn in its IPO in September 2006. The International rating agency Standard & Poor's (S&P) confirmed KMG EP's "BBB-" corporate credit rating in December 2011 and "GAMMA-6" rating in September 2011.

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