

PRESS - RELEASE

JSC KazMunaiGas Exploration Production 1Q 2012 financial results

Astana, 15 May 2012. JSC KazMunaiGas Exploration Production (“KMG EP” or “the Company”) announces its condensed consolidated interim financial statements for the three months ended March 31, 2012.

- Revenues increased by 8% to 207bn Tenge (US\$1,396m)¹ compared to the same period of 2011 on higher Brent and domestic prices offset by reduced export volumes.
- The average price of Brent in the first three months of 2012 was 12% higher than in the same period of 2011, up from US\$105 per barrel to US\$119 per barrel.
- Net profit amounted to 75bn Tenge (US\$508m) and earnings per share – 1,070 Tenge (US\$1.2 per GDR), an increase of 27% and 32%, respectively, compared to the same period of 2011.

Production Highlights

In the first three months of 2012 KMG EP produced 3,029 thousand tonnes of crude oil (249 kbopd), including the Company’s stakes in Kazgermunai (KGM), CCEL and PetroKazakhstan Inc. (PKI) which is 5% less than in the same period of 2011.

JSC Uzenmunaigas (“UMG”) produced 1,236 thousand tonnes (101 kbopd), which is 177 thousand tonnes less than in the same period of 2011. JSC Embamunaigas (“EMG”) produced 675 thousand tonnes (55kbopd), which is 6 thousand tonnes less than in the same period of 2011. The total volume of the oil produced at the production facilities of UMG and EMG in the first three months of 2012 was 1,911 thousand tonnes of oil (156 kbopd), 9% less than in the same period of 2011. First quarter production volume was about 150 thousand tonnes (7%) behind the plan, primarily due to adverse weather conditions. As prompted by the first quarter performance indicators, the 2012 UMG annual target of 5.8 million tonnes looks rather challenging. Management expects the production to recover at a moderate pace. In the middle of the year following the second quarter production trend, KMG EP intends to confirm or update its 2012 annual production projection.

The Company’s share in the production from KGM, CCEL and PKI for the three months of 2012 amounted to 1,119 thousand tonnes of crude oil (93 kbopd) or 4% more than in 1Q of 2011.

Crude oil sales

In the first three months of 2012 the Company’s export and domestic sales from the UMG and EMG were 1,496 thousand tonnes (122 kbopd) and 457 thousand tonnes (37 kbopd) respectively.

¹ Amounts shown in US dollars (“US\$” or “\$”) have been translated solely for the convenience of the reader at the average rate over the applicable period for information derived from the consolidated statements of income and consolidated statements of cash flows and the end of the period rate for information derived from the consolidated balance sheets (average rates for 1Q12 and 1Q11 was 148.13 and 146.42 Tenge/US\$, respectively; period-end rates at March 31, 2012 and December 31, 2011 was 147.77 and 148.40 Tenge/US\$, respectively).

The Company's share in the sales from KGM, CCEL and PKI was 1,105 thousand tonnes of crude oil (93kbopd). It includes 766 thousand tonnes (64kbopd) supplied to export markets.

Net Profit for the Period

Profit after tax (net income) in the first three months of 2012 was 75bn Tenge (US\$508m). This represents a 27% increase compared to the same period of 2011, which is mainly explained by a higher oil price, domestic supplies price increase according to agreement reached with Government on 2012 and lower SG&A expenses partly offset by a decline in exports.

Revenues

The Company's revenues in the first three months of 2012 increased by 8% compared to the same period of 2011, and amounted to 207bn Tenge (US\$1,396m). This was mainly due to a 14% increase in the average realized price to 104,302 Tenge per tonne (US\$97.39 per barrel) partly offset by reduced export volumes.

Taxes other than on Income

Taxes, other than on income, in the first three months of 2012 were 75bn Tenge (US\$508m), which is 4% higher compared to the same period of 2011. The increase is due to the progressive scale of applicable tax rates as a result of the higher oil price, partially offset by reduced production and export volumes.

Production Expenses

Production expenses in the first three months of 2012 were 31bn Tenge (US\$209m), which is 4% higher compared to the same period of 2011. A significant part of the production cost increase is due to annual salary indexation from 1st January 2012 partly offset by a reduction of the number of repaired wells.

Selling, General and Administrative Expenses

Selling, general and administrative expenses in the first three months of 2012 were 20bn Tenge (US\$136m), which is 21% lower compared to the same period of 2011, mainly due to lower fines and penalties, lower management fees to National Company Kazmunaigas as well as lower transportation expenses as a result of lower transportation volumes.

Cash Flows from Operating Activities

Operating cash flow in the first three months of 2012 was 68bn Tenge (US\$457m), which is 46% higher compared to the same period of 2011, mainly due to the increase in oil price.

Capex

Purchases of property, plant and equipment and intangible assets (as per Cash Flow Statement) in the first three months of 2012 were 12bn Tenge (US\$82m), which is 33% lower compared to the same period of 2011.

Cash and Debt

Cash and cash equivalents as at 31 March 2012 amounted to 213bn Tenge (US\$1.4bn) compared to

207bn Tenge (US\$1.4bn) as at 31 December 2011. Other financial assets (current and non-current) at 31 March 2012 were 555bn Tenge (US\$3.8bn) compared to 511bn Tenge (US\$3.4bn) as at 31 December 2011. Other financial assets include the NC KMG Bond and deposits. As at 31 March 2012 the outstanding amount of the Bond was 190bn Tenge (US\$1.3bn).

78% of cash and financial assets (including the Bond) as at 31 March 2012 were denominated in foreign currencies and 22% were denominated in Tenge. Finance income accrued on cash and financial assets (including the Bond) in the first three months of 2012 was 5.6bn Tenge (US\$38m).

Borrowings as at 31 March 2012 were 88bn Tenge (US\$596m), the same as at 31 December 2011. Borrowings include 80bn Tenge (US\$543m) of non-recourse debt of KMG PKI Finance B.V. related to the acquisition of the 33% interest in PKI.

Net cash position² at 31 March 2012 amounted to 680bn Tenge (US\$4.6bn) compared to 629bn Tenge (US\$4.2bn) as at 31 December 2011.

Income from Strategic Acquisitions

In the first three months of 2012 KMG EP's share of results of associates and joint ventures was 26bn Tenge (US\$174m) compared to 22bn Tenge (US\$148m) in the same period of 2011. The financial results of associates and joint ventures in the first three months of 2012 were primarily driven by the higher oil price compared to the same period of 2011.

Kazgermunai

In the first three months of 2012 KMG EP recognised 13bn Tenge (US\$87m) of income from its share in KGM. This amount represents 50% of KGM's net profit of 15bn Tenge (US\$99m) and a 0.2bn Tenge (US\$1.5m) deferred income tax benefit net of 2.0bn Tenge (US\$13m) from the effect of purchase price premium amortization.

KGM's net income increased by 20% in the reported period compared to the same period of 2011 mainly due to higher oil price.

PetroKazakhstan Inc.

In the first three months of 2012 KMG EP recognised 13bn Tenge (US\$88m) of income from its share in PKI. This amount represents 33% of PKI's net profit of 16bn Tenge (US\$109m) net of 3bn Tenge (US\$21m) from the effect of purchase price premium amortization.

PKI's net income increased by 11% in the reported period compared to the same period of 2011 mainly due to higher oil price.

CCEL

As of 31 March 2012 the Company has recognised 20bn Tenge (US\$136m) as a receivable from CCEL, a jointly controlled entity with CITIC Group. The Company has accrued 0.7bn Tenge (US\$5m) of interest income in the first three months of 2012 related to the US\$26.87m annual priority return from CCEL.

² Cash, cash equivalents and other financial assets (including the Bond) less borrowings.

The condensed consolidated interim financial statements for the three months ended March 31, 2012, the notes thereto, and the operating and financial review for the period are available on the Company's website (www.kmgep.kz).

APPENDIX³**Condensed Consolidated Interim Statement of Comprehensive Income (unaudited)***Tenge million*

	Three months ended March 31,	
	2012	2011
Revenue	206,853	191,524
Share of results of associates and joint ventures	25,747	21,690
Finance income	5,562	7,664
Total revenue and other income	238,162	220,878
Production expenses	(30,952)	(29,662)
Selling, general and administrative expenses	(20,139)	(25,384)
Exploration expenses	(1,298)	(49)
Depreciation, depletion and amortization	(12,570)	(10,773)
Taxes other than on income	(75,181)	(72,536)
Loss on disposal of property, plant and equipment	(152)	(615)
Finance costs	(1,503)	(1,710)
Foreign exchange loss	(2,518)	(7,059)
Profit before tax	93,849	73,090
Income tax expense	(18,631)	(14,062)
Profit for the period	75,218	59,028
Exchange difference on translating foreign operations	(585)	(1,611)
Other comprehensive loss for the period, net of tax	(585)	(1,611)
Total comprehensive income for the period, net of tax	74,633	57,417
EARNINGS PER SHARE – Tenge thousands		
Basic and diluted	1.07	0.81

³ Rounding adjustments have been made in calculating some of the financial information included in the Appendix. As a result, figures shown as total in some tables may not be exact arithmetic aggregations of the figures that precede them.

Condensed Consolidated Interim Statement of Financial Position

Tenge million

	March 31, 2012	December 31, 2011
	Unaudited	Audited
ASSETS		
Non-current assets		
Property, plant and equipment	341,452	338,860
Intangible assets	23,092	26,638
Investments in joint ventures	128,899	116,526
Investments in associates	145,820	133,228
Receivable from a jointly controlled entity	17,898	18,138
Loan receivable from a joint venture	8,957	8,494
Other financial assets	187,831	188,803
Deferred tax asset	10,065	9,450
Other assets	17,834	19,593
Total non-current assets	881,848	859,730
Current assets		
Inventories	20,477	22,651
Income taxes prepaid	4,423	9,971
Taxes prepaid and VAT recoverable	17,899	22,738
Prepaid expenses	14,090	12,054
Trade and other receivables	100,453	84,126
Receivable from a jointly controlled entity	2,228	1,361
Other financial assets	367,108	321,890
Cash and cash equivalents	213,032	206,512
Total current assets	739,710	681,303
Total assets	1,621,558	1,541,033
EQUITY		
Share capital	192,194	198,452
Other capital reserves	2,213	2,124
Retained earnings	1,158,967	1,083,749
Other components of equity	13,769	14,354
Total equity	1,367,143	1,298,679
LIABILITIES		
Non-current liabilities		
Borrowings	32,838	33,034
Deferred tax liability	1,721	2,049
Provisions	38,487	37,846
Total non-current liabilities	73,046	72,929
Current liabilities		
Borrowings	55,169	54,931
Mineral extraction tax and rent tax payable	60,444	50,908
Trade and other payables	50,530	48,680
Provisions	15,226	14,906
Total current liabilities	181,369	169,425
Total liabilities	254,415	242,354
Total liabilities and equity	1,621,558	1,541,033

Condensed Consolidated Interim Statement of Cash Flows (unaudited)

Tenge million

	Three months ended March 31,	
	2012	2011
Cash flows from operating activities		
Profit before tax	93,849	73,090
Adjustments to add / (deduct) non-cash items		
Depreciation, depletion and amortisation	12,570	10,773
Share of result of associates and joint ventures	(25,747)	(21,690)
Loss on disposal of property, plant and equipment (PPE)	152	615
Impairment of PPE and intangible assets	56	17
Dry well expense on exploration and evaluation assets	1,207	–
Recognition of share-based payments	89	100
Unrealised foreign exchange loss on non-operating activities	1,546	5,082
Other non-cash income and expense	688	2,041
Add finance costs	1,503	1,710
Deduct finance income relating to investing activity	(5,562)	(7,664)
Working capital adjustments		
Change in other assets	68	4,973
Change in inventories	2,320	(141)
Change in taxes prepaid and VAT recoverable	5,612	7,218
Change in prepaid expenses	(2,035)	(4,157)
Change in trade and other receivables	(16,241)	(31,335)
Change in trade and other payables	1,570	990
Change in mineral extraction and rent tax payable	9,536	15,996
Change in provisions	320	407
Income tax paid	(13,858)	(11,637)
Net cash generated from operating activities	67,643	46,388
Cash flows from investing activities		
Purchases of PPE	(11,995)	(17,845)
Proceeds from sale of PPE	699	407
Purchases of intangible assets	(215)	(271)
Loans provided to a joint venture	(341)	–
Purchase of financial assets held-to-maturity	(42,624)	(8,324)
Deferred payment for acquisition of subsidiary	–	(416)
Interest received	1,284	1,823
Net cash used in investing activities	(53,192)	(24,626)
Cash flows from financing activities		
Share buy back	(6,604)	(4,568)
Repayment of borrowings	(529)	(278)
Dividends paid to Company's shareholders	(644)	(53)
Net cash used in financing activities	(7,777)	(4,899)
Net change in cash and cash equivalents	6,674	16,863
Cash and cash equivalents at beginning of the year	206,512	98,520
Exchange losses on cash and cash equivalents	(154)	(3)
Cash and cash equivalents at the end of the period	213,032	115,380

The following tables show the Company's realised sales prices adjusted for oil and oil products transportation and other expenses for the first three months of 2012 and 2011.

1Q 2012, (US\$/bbl)	UAS	CPC	Domestic
Benchmark end-market quote ⁴	118.60	118.60	-
Sales price	115.22	116.53	33.90
Quality bank	-	(8.03)	-
Premium of bbl difference	0.37	9.57	-
Realised price⁵	115.59	118.07	33.90
Rent tax	26.09	26.09	-
Export customs duty	5.52	5.08	-
Transportation	7.78	7.21	1.08
Sales commissions	0.07	0.07	-
Adjusted realised price	76.13	79.62	32.83

1Q 2011, (US\$/bbl)	UAS	CPC	Domestic
Benchmark end-market quote ⁴	105.43	105.43	-
Sales price	98.62	104.32	26.73
Quality bank	-	(8.62)	-
Premium of bbl difference	(0.09)	8.76	-
Realised price⁵	98.53	104.46	26.73
Rental tax	22.87	22.88	-
Export customs duty	4.41	4.41	-
Transportation	7.59	7.83	2.02
Sales commissions	0.07	0.07	-
Adjusted realised price	63.59	69.27	24.71

Reference information	1Q 2012	1Q 2011
Average exchange US\$/KZT rate	148,13	146,42
End of period US\$/KZT rate	147,77	145,70
Coefficient barrels to tonnes for KMG EP crude		7.36
Coefficient barrels to tonnes for Kazgermunai crude		7.70
Coefficient barrels to tonnes for CCEL crude		6.68
Coefficient barrels to tonnes for PKI crude		7.75

⁴ The Brent (DTD) quoted price is used as benchmark

⁵ Average realized price converted at 7.23 barrels per tonne of crude oil

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 2011 was 226mt (1.7bn bbl), including shares in the associates of about 2.1 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.

For further details please contact us at:

KMG EP Public Relations (+7 7172 97 78 87)
Bakdaulet Tolegen
E-mail: pr@kmgep.kz

KMG EP Investor Relations (+7 7172 97 5433)
Asel Kaliyeva
E-mail: ir@kmgep.kz

Pelham Bell Pottinger (+44 207 861 3147)
Elena Dobson
E-mail: edobson@pelhambellpottinger.co.uk

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