PRESS - RELEASE

JSC KazMunaiGas Exploration Production announces its financial results for the 1H09

Astana, September 4, 2009. JSC KazMunaiGas Exploration Production ("KMG EP" or "the Company"), today released its condensed consolidated interim financial statements for the six months ended 30 June 2009.

- Profit for the period of 128.8bn Tenge (US$890m)[1] and earnings per share of 1,750 Tenge (US$2.0 per GDR), including a significant foreign exchange gain of approximately 97.9bn Tenge (US$677m).
- Operating profit declined by 74% to 57.0bn Tenge (US$394m) compared to 215.3 bn Tenge (US$1,786.2m) in the first six months of 2008 due to lower oil prices.
- Capex budget for 2009 increased by over 13% to 45 bn Tenge from 40bn Tenge as of end of first quarter in 2009, reflecting improved market environment and drilling 25 new development wells.

Commenting on the financial results for the first half of 2009, Kenzhebek Ibrashev, CEO of KMG EP, said: "With the rebound in crude prices the company has been able to adjust the level of investments in its core fields and aims to deliver a sustainable production level from existing assets while using its strong balance sheet to pursue our acquisition-driven growth strategy ".

Production Highlights

In the first half of 2009 the Company produced 5,673 thousand tonnes (230.4 kbopd) of crude oil, including the Company's stakes in both Kazgermunai and CCEL. This is 226 thousand tonnes, or 3.8% less than in the same period of 2008. The decline is partly due to KMG EP's planned reduction in drilling and production for 2009. The oil production plan for 2009 remains unchanged at 11.6 million tonnes (234.3kbopd), including 50% stakes in Kazgermunai and CCEL.

In the first half of 2009 the Company supplied 4,455 thousand tonnes of crude oil (181.2 kbopd), excluding the share in supply from Kazgermunai and CCEL. Of this amount, 3,580 thousand tonnes (145.6 kbopd) were exported (80% of sales volumes), 756 thousand tonnes were sold to the domestic market and 150 thousand tonnes supplied to Atyrau refinery for processing and subsequent sale and in-house use of the refined products.

The Company's share in the shipment volumes from Kazgermunai and CCEL was 1,176 thousand tonnes of crude oil (47.4kbopd) in the first half of 2009, including 1,022 thousand

[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.

tonnes (41.1kbopd) supplied to export markets (87% out of sales). This represents a 1.8% and 1.9% increase compared to the same period of 2008, respectively.

Financial Highlights

Profit after tax (**net income)** for the first six months of 2009 was 128.8bn Tenge (US$890m) ccompared to 147.5bn Tenge (US$1,224m) in the first six months of 2008, 13% decline. The net income decline is mainly attributable to the decrease in revenue due to lower oil prices. This factor was partly offset by foreign exchange gain of 101.6bn Tenge (pre-tax) reflecting Tenge devaluation in February 2009. Excluding the foreign exchange gain, net income declined 66% year on year.

KMG EP's **revenue** in the first six months of 2009 decreased by 39% to 206.6bn Tenge (US$1,428m) compared to 337.0bn Tenge in the first six months of 2008. This was due to a 39% decrease in the average realised price from 72,829 Tenge per tonne ($83.6 per bbl) to 44,631 Tenge per tonne (US$42.7 per bbl) and a 1.8% reduction in sales volume. For the first six months of 2009 exports accounted for approximately 80% of the sales in volume terms (versus 75% for the first half of 2008), as reduced domestic demand allowed the Company to supply more to export markets (plans to sell 2.2 million tones to the domestic market in 2009 remain unchanged (44.4kbopd)). In US dollar terms, revenues declined by approximately 53% year on year.

KMG EP recorded a 5.0bn Tenge (US$34m) loss from its **share in Kazgermunai** in its net income for the six months ended 30 June 2009. This amount represents 50% of Kazgermunai net profit of 4.7bn Tenge (US$32.5m) for the corresponding period adjusted for 5.2bn Tenge of the effect of goodwill amortisation and deferred income tax gross-up amortisation of 2.1bn Tenge for the first six months of 2009. The financial results of Kazgermunai in the first half of 2009 were affected primarily by lower oil price compared to the same period of 2008, a provision of US$111.6m related to ecology fines related to gas flaring above state norms and a change in the method of revenue recognition from the beginning of 2009 which has deferred sales by approximately 45-60 days

The Company has recognised the amount of 25bn Tenge ($US167m) as a **receivable from CCEL**, a jointly controlled entity, as of June 30, 2009. KMG EP has accrued 1.6bn Tenge (US$10.9m) of interest income in the first six months of 2009 and this is included in the period-end receivable, which is related to the US$26.87m annual priority return from CCEL.

Operating expenses were 149.6bn Tenge (US$1,034.1m) for the first half of 2009 compared to 121.7bn Tenge in the first half of 2008 (a 23% increase). The main reasons for the increase was the replacement of royalty by a mineral extraction tax (MET), recognition of fines and penalties and increase in payroll expenses in the first half of 2009 compared to the same period of 2008. Excluding tax-related factors and recognition of fines and penalties, operating expenses in the first six months of 2009 increased by 3.7% in Tenge compared to the same period of 2008, mainly due to an increase in payroll expenses, change in crude oil balance, transportation and energy usage. There was a partial offset due to decreases in materials, social infrastructure projects and management fees and sales commissions. In dollar terms, operating expenses, excluding taxes, fines and penalties went down by 13% year on year.

Operating cash flow was 26.5bn Tenge (US$183.3m) for the first six months of 2009, 68% less than for the first six months of 2008. The main reason was a decrease in world oil prices and replacement of royalty by mineral extraction tax.

Purchases of property, plant and equipment (capital expenditures, not including purchases of intangible assets, as per Cash Flow Statement) for the first six months of 2009 were 12.9bn Tenge (US$89.4m) which is 36% lower than in the same period of 2008. KMG EP's full year capital expenditures in 2009 are expected to be approximately 45.3bn Tenge compared to 2008 actual capital expenditures of 41.9bn Tenge and an earlier guidance for 2009 of approximately 40 bn Tenge. The primary use of the incremental budget is drilling of additional 25 development wells.

The budget for operating and capital expenditures is subject to periodic adjustments to reflect changes in the oil price, inflation and the Tenge exchange rate among other factors.

Net cash, cash equivalents and financial assets at the end of the six months of 2009 amounted to 603.8bn Tenge (US$4,0bn) compared to 534.5bn Tenge (US$4,43bn) as of 31st of December, 2008. Borrowings as of June 30, 2009 were 14.2bn Tenge (US$95m) compared to 20.4bn Tenge (US$169m) as of the end of 2008. As of June 30, 2009 86% of financial assets were denominated in US dollar, 14% denominated in Tenge. Deposits with two of the largest Kazakh banks, Halyk and Kazkommertsbank account for approximately 82% of the financial assets as of 30 June, 2009. Interest accrued on financial assets for the first six months of 2009 was 17.0bn Tenge (US$117m).

As of June 30, 2009, approximately 39.7bn Tenge were held at BTA Bank. This represents about 7% of the Company's cash held in banks. During the second quarter of 2009 the company made various payments from its accounts with BTA Bank for a total amount of 4.4bn Tenge.

Fines and Penalties. In 2007 Ministry of Finance launched the tax audit of the Company covering the period of 2004 – 2005. The tax authorities finalised tax audit and assessed additional payments in the amount of 32bn Tenge including principles of 16.1 bn Tenge and balance is fines and penalties. The Company's management believes its interpretations of the tax legislation were appropriate but the outcome of the further dispute is uncertain and appeals may not be entirely successful. Therefore, the Company has accrued 9.3 bn Tenge as a provision, related to similar tax issues in years 2004-2008 which includes providing for such matters where it is probable that the Company will not successfully defend its position.

Hedging. On the 3rd and 20th of August, 2009, the Company has entered into two additional zero-cost "Collar" hedging transactions, for the monthly volume of 1.0 million barrels and 0.5 million barrels, respectively. The floor price of the recent transaction is US$60 per barrel and the ceiling price of US$85 per barrel of Brent. In the second transaction the floor price of the transaction is US$60 per barrel and the ceiling price of US$86 per barrel of Brent. The aggregate hedged volume of 3.0 million barrels represent approximately 72% of planned monthly export volume through the end of 2009. The hedging arrangements are designed to protect the Company's cash flows in a low oil price environment. The Company would benefit from these arrangements should the oil price decline below the floor price and would give up part of its profit if the oil price exceeds the ceiling price.

The six month financial statement of 2009 include 4.5bn Tenge (US$31m) unrealised loss related to hedging transactions concluded in the first half of the year.

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The full unaudited condensed consolidated interim financial information for the three months ended 30 June 2009 (unaudited) and the notes thereto are available at the Company's website (www.kmgep.kz).

Appendix

Key operating and financial indicators of KMG EP for the first six months of 2009[2]

Summary of Condensed consolidated Interim Statement of Comprehensive Income

	Three months ended June 30,		Six months ended June 30,	
	2009	**2008**	**2009**	**2008**
Revenue	123,475,611	193,548,353	206,630,713	337,031,637
Operating expenses	(86,400,856)	(72,464,771)	(149,591,334)	(121,777,194)
Profit from operations	**37,074,755**	**121,083,582**	**57,039,379**	**215,254,443**
Interest income	11,843,824	10,451,668	23,843,516	20,452,017
Interest expense	(460,889)	(628,548)	(970,537)	(1,732,044)
Unrealised loss of crude oil derivative instrument	(4,491,457)	–	(4,491,457)	–
Foreign exchange (loss) / gain	(3,685,204)	128,362	97,886,291	962,372
Share of result of associates and joint ventures	(4,080,166)	18,204,437	(5,130,679)	27,254,763
Profit before tax	**36,200,863**	**149,239,501**	**168,176,513**	**262,191,551**
Income tax expense	(15,446,757)	(65,183,668)	(39,410,822)	(114,676,674)
Profit for the period	**20,754,106**	**84,055,833**	**128,765,691**	**147,514,877**
Exchange difference on translating foreign operations	(633,665)	76,693	14,104,004	333,930
Realised loss on available-for sale financial investments reclassified to the profit for the period	–	–	–	435,886
Other comprehensive income for the period, net of tax	**(633,665)**	**76,693**	**14,104,004**	**769,816**
Total comprehensive income for the period, net of tax	**20,120,441**	**84,132,526**	**142,869,695**	**148,284,693**
EARNINGS PER SHARE				
Basic and diluted	0.29	1.13	1.75	1.99

[2] *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.*

Summary of condensed Consolidated Interim Statement of Cash Flows

	Six months ended June 30,	
Tenge thousands	**2009**	**2008**
Net cash generated from operating activities	**26,520,377**	**82,432,949**
Cash flows from investing activities		
Purchases of PPE	(12,929,110)	(20,169,237)
Proceeds from sale of PPE	1,090,135	511,610
Purchases of intangible assets	–	(5,814)
Purchases of joint venture interest	(580,044)	–
Dividends received from joint ventures and	–	9,063,750
Purchases of financial assets held-to-maturity, net	28,710,851	(91,187,479)
Sale of available-for-sale financial assets, net	–	6,449,113
Interest received	9,168,873	19,001,810
Net cash generated from (used in) investing activities	**25,460,705**	**(76,336,247)**
Purchase of treasury shares	(14,148,562)	–
Repayment of borrowings	(3,990,103)	(8,484)
Dividends paid to Company's shareholders	(50,411)	(21,427)
Interest paid	(91,745)	(617,712)
Net cash used in financing activities	**(18,280,821)**	**(647,623)**

Summary of Condensed Consolidated Interim Statement of Financial Position

Tenge thousands	**June 30, 2009 Unaudited**	**December 31, 2008 Audited**
ASSETS		
Non-current assets	497,057,492	402,582,366
Current assets	634,939,739	616,949,387
Total assets	**1,131,997,231**	**1,019,531,753**
EQUITY		
Share capital	245,481,457	259,724,847
Other capital reserves	1,380,122	1,385,036
Retained earnings	666,859,542	586,058,950
Other components of equity	14,027,807	(76,197)
Total equity	**927,748,928**	**847,092,636**
LIABILITIES		
Non-current liabilities	45,061,439	44,248,998
Current liabilities	159,186,864	128,190,119
Total liabilities	**204,248,303**	**172,439,117**
TOTAL EQUITY AND LIABILITIES	**1,131,997,231**	**1,019,531,753**

The following tables show the Company's realised sales prices adjusted for oil and oil products transportation and other expenses for the six months ended June 30, 2009 and 2008.

	6M 2009			
	UAS	**CPC**	**DOMESTIC**	**AVERAGE**
		(US$/bbl)		
Benchmark end-market quote[3]	50,67	51,50	-	-
Sales price[4]	49,42	50,08	17,26	43,42
Quality bank	-	(6,83)	-	(1,74)
Premium of bbl difference[5]	0,13	4,15	-	0,98
Realised price[6]	49,55	47,40	17,26	42,66
Rental tax	5,02	5,02	-	4,03
Transportation	5,89	7,59	0,87	5,34
Sales commissions	0,06	0,06	-	0,05
Adjusted realised price	**38,58**	**34,73**	**16,39**	**33,24**

	6M 2008			
	UAS	**CPC**	**DOMESTIC**	**AVERAGE**
		(US$/bbl)		
Benchmark end-market quote[3]	105,09	110,31	-	-

[3] *The following quotes used as the base for the market prices: Urals (RCMB) UAS pipeline and CPC blend (CIF) on CPC.*
[4] *Calculated by average rate US$ vs KZT*
[5] *Coefficient of 7,23 barrels per tonne is used*
[6] *Average realized price by financial report converted at 7.23 barrels per tonne of crude oil*

Sales price[4]	101,85	109,51	20,44	83,74
Quality bank[5]	-	(8,03)	-	(1,86)
Premium of bbl difference	0,15	9,29	-	1,71
Realised price[6]	102,00	110,77	20,44	83,59
Export customs duty	5,33	5,33	-	4,00
Transportation	7,51	8,26	0,88	6,02
Sales commissions	0,07	0,07	-	0,05
Adjusted realised price	**89,09**	**97,11**	**19,56**	**73,52**

Reference information

	2009	2008
Average exchange rate $/KZT	144.69	120.51
US$/KZT at balance sheet date	150.41	120.75

Coefficient barrels to tones for KMG EP crude	7.36
Coefficient barrels to tones for Kazgermunai crude	7.70
Coefficient barrels to tones for CCEL crude	6.68

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NOTES TO EDITORS
KMG EP is among the top three Kazakh oil and gas producers. The overall production in 2008 was 11.95mmt (an average of 240kbopd) of crude oil,. including the Company's share in Kazgermunai and CCEL. The total volume of proved and probable reserves, as at the end of 2008, is 241mmt (1.8bn bbl), excluding the relevant proportion of reserves at Kazgermunai and CCEL; including the share of reserves from Kazgermunai and CCEL the 2P reserves are over 2.1 bn barrels. The Company's shares are listed on Kazakhstan Stock Exchange and the GDRs are listed on London Stock Exchange. The Company raised approximately US$2bn in its IPO in September 2006.

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