PRESS - RELEASE

JSC KazMunaiGas Exploration Production
1H 2011 Financial results

Astana, 5 September, 2011. JSC KazMunaiGas Exploration Production ("KMG EP" or "the Company") released its consolidated financial statements for the six months ended 30 June 2011:

- The average price of Brent in the first six months of 2011 was 44% higher than in the same period last year, up from US$77 per barrel to US$111 per barrel.

- Net profit amounted to 114bn Tenge (US$783m)[1] and earnings per share – 1,581 Tenge (US$1.8 per GDR), an increase of 14% and 15%, respectively, compared to the same period in 2010.

- The main factors that had a negative impact on KMG EP's results were production and export decline due to the illegal strike, as well as increased fines and penalties.

Production Highlights

In the first six months of 2011 KMG EP's consolidated production was 6,311 thousand tonnes of crude oil (258 kbopd) including the Company's stakes in LLP Kazgermunai JV (KGM), CCEL (CCEL, Karazhanbasmunai) and PetroKazakhstan Inc. (PKI). This was 216 thousand tonnes or 3% less than during the same period in 2010.

Uzenmunaigas (UMG) produced 2,733 thousand tonnes (111 kbopd), which is 218 thousand tonnes less than in the same period of 2010. Embamunaigas (EMG) produced 1,382 thousand tonnes (56 kbopd), which is 17 thousand tonnes more than in the same period of last year, thereby the total volume of the oil produced at production facilities of UMG and EMG in the first six months of 2011 is 4,115 thousand tonnes (167 kbopd), which is 201 thousand tonnes, or 5%, less than in the same period of last year. The results of the first six months were negatively affected by a number of emergency power cuts in the fields, caused by severe weather conditions in March and April 2011, as well as the illegal labour action at UMG.

The illegal strike started on May 26, 2011 and by June 30, 2011 the total loss of oil production amounted to 174 thousand tonnes. The loss of production has mainly impacted on the Company's export volumes. The Company has been taking measures to restore normal operations at UMG and to recover daily production to planned volume. A number of employees who had refused to perform their duties were made redundant and are being replaced by new employees. By the end of August the actual number of working employees approached the planned level while the decline in daily production at UMG had been reversed.

Impact on annual production of the Company will depend on how quickly the Company can restore production at UMG to planned level. The expected underproduction compared to the plan for the full year of 2011 is currently estimated at 800 thousand tonnes, or 6% of the consolidated volume

[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 (average rates: USD/KZT 146.00 – 1H2011, 147.26 – 1H2010; period-end rates: USD/KZT 146.25 – 1H2011, 147.46 – 1H2010) 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.*

of KMG EP's production (including the stakes in the jointly controlled entities where production targets are expected to be exceeded).

The Company's export sales and domestic sales volumes from the Uzenmunaigas and Embamunaigas production facilities were 3,293 thousand tonnes (134 kbopd) and 872 thousand tonnes (35 kbopd), respectively.

The Company's share in the production volumes from KGM, CCEL, PKI and NBK amounted to 2,196 thousand tonnes of crude oil (91 kbopd), which is 15 thousand tonnes or 1% less than in the same period in 2010.

The Company's share in the sales volumes from KGM, CCEL and PKI was 2,440 thousand tonnes of crude oil (101 kbopd), including 1,989 thousand tonnes (82 kbopd) or 82% supplied to export markets.

Net Profit for the Period

Profit after tax (net income) in the first six months of 2011 was 114bn Tenge (US$783m). This represents a 14% growth compared to the same period of 2010, which is mainly explained by an increase in oil price, partly offset by production decline due to the illegal strike, increase in operating taxes, production costs and selling, general and administrative expenses.

Crude Oil Sales

The Company's Crude Oil Sales in the first six months of 2011 increased by 35% compared to the same period in 2010 and amounted to 400bn Tenge (US$2,740m). This was due to a 41% increase in the average realized price, from 67,574 Tenge per tonne (US$63.47 per barrel) to 95,035 Tenge per tonne (US$90.03 per barrel) partly offset by reduced export volume sales due to decreased production.

Taxes Other than on Income

Taxes, other than on income, in the first six months of 2011 were 162bn Tenge (US$1,109m), which is 95% higher compared to the same period of 2010. The increase is due to the higher rent and mineral extraction taxes (MET) as a result of the oil price growth, as well as reintroduction of crude oil customs export duty (CED) on 16th August 2010 and its subsequent increase to US$40 per tonne from 1st January 2011. In addition, the Company recognized 15bn Tenge (US$105m) of export customs duty (principal amount not including the fine for late payment in the amount of 2.3bn Tenge recognized in "Fines and penalties") related to the unfavourable decision of the Supreme Court with respect to KMG EP's claim that export customs duty should not be levied on oil exports in 2009 on which rent tax had already been paid (for more details refer to the Company's press-release of June 28, 2011).

Production Expenses

Production expenses in the first six months of 2011 were 63bn Tenge (US$429m), which is 24% higher compared to the same period of 2010. A significant part of the production cost increase is due to an increase in payroll, repairs, maintenance and costs associated with selling accumulated oil reserves ("Change in crude oil balance"). Increase in payroll expenses reflects salary increase at the production units from 1st June 2010 and salary indexation from the 1st January 2011. Growth in repairs and maintenance expenses was due to higher repair costs per well partly offset by the decreased number of repaired wells due to the illegal strike.

Selling, General and Administrative Expenses

Selling, general and administrative expenses in the first six months of 2011 were 59bn Tenge (US$406m), which is 40% higher compared to the same period of 2010, mainly due to increase in fines and penalties, as well as increase in sponsorship.

The increase in fines and penalties was mainly due to recognition of the penalty as a result of 2004-2005 tax audit dispute, the fine for late payment of export customs duty of 2009 and environmental fine accrual.

In 2009 as a result of the audit of 2004-2005 tax statements, the tax authorities provided a tax assessment to the Company for 32bn Tenge, representing 16bn Tenge of the principal unpaid amount, 8bn Tenge of administration penalties (50% of the principal amount), and a further 8bn Tenge of late payment interest. The Company filed several appeals as a result of which the principal amount and late payment interest were reduced first to 10.7bn Tenge and 3.8bn Tenge and then to 8.6bn Tenge and 2.6bn Tenge, respectively, and fully paid by the Company in 2010 with the use of provisions accrued earlier. However, the Ministry of Finance filed another appeal for restating the principal amount and late payment interest back to 10.7bn Tenge and 3.8bn Tenge, respectively. This appeal was satisfied by the Supreme Court and KMG EP recognized in the second quarter of 2011 the difference of 3.3bn Tenge (US$23m) related to the satisfied appeal, as well as the administrative penalty (US$37m, 50% of the final principal amount of 10.7bn Tenge) of 5.4bn Tenge, which had not been provided for due to the Company's belief that its appeals would be successful. The Company continues to dispute the above unfavourable decision related to the tax audit of 2004-2005.

The environmental fine accrual of 2.9bn is related to gas flaring at Prorva group of fields when it was not feasible to obtain the required regulatory permissions in time. The Company accrued the estimated sums in its financial statement for the first quarter of 2011 and intends to appeal the matter with the regional court**.** The permissions for the remainder of 2011 were obtained in March 2011.

Growth in sponsorship was mainly due to construction of social objects and financial aid to Uralsk to recover from the water flood in the region.

Cash Flows

Operating cash flow in the first six months of 2011 was 86bn Tenge (US$592m) compared to 41bn Tenge (US$278m) in same period of 2010 mainly due to increase in oil price, income tax overpayment in the first half of 2010, and decrease in working capital.

Capex

Purchases of property, plant and equipment (as per Cash Flow Statement) in the first six months of 2011 were 45bn Tenge (US$311m), representing 75% increase compared to the same period of 2010, in accordance with Capex budget for 2011. The increase in capital expenditures is mainly due to an increase in planned production drilling from 213 wells in 2010 to 239 wells in 2011 and an increase in exploration capital expenditures.

Cash distribution to stockholders

In the first six months of 2011 KMG EP declared 57bn Tenge (US$388m) as dividends, of which 34bn Tenge (US$236m) was offset against an outstanding amount of the NC KMG bond.

In the reported period the Company spent 10.4bn Tenge (US$69.9m) to buy back 529,605 preferred shares. Since the beginning of the preferred shares buy-back program to June 30, 2011, the Company spent 35bn Tenge (US$234m) to buy 1,875,818 preferred shares (45.4% of all preferred shares issued).

Cash and Debt

Cash and cash equivalents as at 30 June 2011 amounted to 98bn Tenge (US$670m) compared to 99bn Tenge (US$668m) as at 31 December 2010.

Other financial assets (current and non-current) at 30 June 2011 were 587bn Tenge (US$4.0bn) compared to 600bn Tenge (US$4.1bn) as at 31 December 2010. Other financial assets include the debt instrument ("the Bond", see below) issued by National Company "KazMunaiGas" (NC KMG), deposits, and other financial instruments.

On 16 July 2010, the Company purchased the Bond issued by NC KMG in the amount of 221 billion Tenge (US$1.5bn) which carries an annual coupon of 7% and will mature in June 2013 as per previously disclosed information. As a result of KMG EP's dividend payment the outstanding amount of the Bond was reduced to 185bn Tenge (US$1,268m). KMG EP recognized 7.6bn Tenge (US$52m) interest income from NC KMG Bond in the first six months of 2011.

As at 30 June 2011, 78% of cash and financial assets (including the Bond) were denominated in foreign currency and 22% were denominated in Tenge. Interest accrued on deposits in banks in the first six months of 2011 was 5.8bn Tenge (US$40m).

Borrowings were 124bn Tenge (US$848m) as at 30 June 2011 compared to 123bn Tenge (US$831m) as at 31 December 2010. Borrowings include 116bn Tenge (US$793m) of non-recourse debt of KMG PKI Finance B.V. related to the acquisition of the 33% interest in PKI. As per the terms of the deal, on 5 July 2011 the Company paid principal and accrued interest of the KMG PKI Finance notes in the amount of 34bn Tenge (US$234m) and 4.7bn Tenge (US$32m) respectively.

Net cash position[2] at 30 June 2011 amounted to 561bn Tenge (US$4.1bn) compared to 576bn Tenge (US$3.9bn) as at 31 December 2010.

Contribution from Strategic Acquisitions

In the first six months of 2011 KMG EP's share of results of associates and joint ventures was 49bn Tenge (US$333m) compared to 19bn Tenge (US$128m) in same period of 2010. The financial results of associates and joint ventures in the first six months of 2011 were primarily affected by the higher oil price compared to the same period of 2010.

Kazgermunai

In the first six months of 2011 KMG EP recognised a 23bn Tenge (US$160m) income from its share in KGM. This amount represents 50% of KGM's net profit of 27.1bn Tenge (US$186m) and a 1.8bn Tenge (US$12m) deferred income tax benefit net of 4.2bn Tenge (US$29m) from the effect of purchase price premium amortization and a 1.3bn Tenge (US$9m) deferred income tax amortisation.

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

Apart from higher oil price, KGM's net income increased by 68% in the reported period compared to the same period of 2010 due to optimization of the structure of crude oil supplies and purchases under the contract for the year of 2011.

During six months ended June 30, 2011 the Company received dividends from KGM in the amount of 14.6bn Tenge (US$100m).

PetroKazakhstan Inc.

In the first six months of 2011 KMG EP recognised a 25.0bn Tenge (US$171m) income from its share in PKI. This amount represents 33% of PKI's net profit of 30.7bn Tenge (US$210m) net of 5.6bn Tenge (US$38m) from the effect of purchase price premium amortization.

Apart from the higher oil price, PKI's net income increased by 92% in the reported period compared to the same period of 2010 mainly due to consolidating 50% of the results of JSC "Turgai Petroleum" in the reported period (for more details refer to KMG EP's press-release of 20 August 2011).

During six months ended June 30 2011 the Company received dividends from PKI in the amount of 14.5bn Tenge (US$99m). On August 4, 2011 KMG EP received 4.8bn Tenge (US$33m) of dividends from PKI.

CCEL

As of 30 June 2011 the Company has recognised the amount of 21.7bn Tenge (US$148m) as a receivable from CCEL, a jointly controlled entity with CITIC Group. The Company has accrued 1.5bn Tenge (US$10.0m) of interest income for the first six months of 2011 related to the US$26.87m annual priority return from CCEL.

***

The consolidated financial statements for the six months ended 30 June 2011 with Notes are available on the Company's website (www.kmgep.kz).

APPENDIX[3]

Condensed Consolidated Interim Statement of Comprehensive Income (unaudited)

Tenge (000s)

		Three months ended June 30,		Six months ended June 30,	
	Notes	**2011**	**2010**	**2011**	**2010**
Revenue		208,534,406	150,548,503	400,058,225	296,605,166
Share of results of associates and joint ventures		26,889,307	6,716,784	48,578,975	18,848,047
Finance income		7,710,947	10,173,030	15,375,218	20,863,493
Total revenue and other income		**243,134,660**	**167,438,317**	**464,012,418**	**336,316,706**
Production expenses		(33,035,596)	(28,744,731)	(62,697,758)	(50,455,588)
Selling, general and administrative expenses		(33,880,645)	(21,462,634)	(59,264,286)	(42,193,414)
Exploration expenses		(629,178)	(82,583)	(678,088)	(465,847)
Depreciation, depletion and amortization		(10,810,959)	(8,442,049)	(21,584,281)	(16,389,840)
Taxes other than on income		(89,335,207)	(42,414,368)	(161,870,959)	(83,043,115)
Loss on disposal of fixed assets		(1,513,139)	(535,804)	(2,128,464)	(562,441)
Finance costs		(2,078,352)	(1,979,406)	(3,788,517)	(3,943,942)
Foreign exchange gain / (loss)		2,322,901	1,402,862	(4,735,638)	(2,837,109)
Profit before tax		**74,174,485**	**65,179,604**	**147,264,427**	**136,425,410**
Income tax expense		(18,864,381)	(16,824,533)	(32,926,292)	(36,391,304)
Profit for the period		**55,310,104**	**48,355,071**	**114,338,135**	**100,034,106**
Exchange difference on translating foreign operations		800,129	99,524	(810,925)	(581,671)
Other comprehensive gain / (loss) for the period, net of tax		**800,129**	**99,524**	**(810,925)**	**(581,671)**
Total comprehensive income for the period, net of tax		**56,110,233**	**48,454,595**	**113,527,210**	**99,452,435**
EARNINGS PER SHARE					
Basic and diluted		0.77	0.66	1.58	1.37

[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 (000s)

	Notes	June 30, 2011 Unaudited	December 31, 2010 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		316,534,540	297,508,553
Intangible assets		11,508,891	15,185,859
Investments in joint ventures		122,473,288	96,737,910
Investments in associates		149,641,267	139,952,442
Receivable from a jointly controlled entity		18,455,462	19,153,089
Loan receivable from a joint venture		7,461,528	–
Other financial assets		186,601,404	221,825,818
Deferred tax asset		10,970,708	8,408,967
Other assets		13,047,384	13,858,297
Total non-current assets		**836,694,472**	**812,630,935**
Current assets			
Inventories		15,268,589	18,779,936
Taxes prepaid and VAT recoverable		17,248,443	26,529,298
Prepaid expenses		15,361,199	27,815,083
Trade and other receivables		102,248,727	65,529,767
Receivable from a jointly controlled entity		3,212,351	1,203,834
Other financial assets		400,254,948	377,800,956
Cash and cash equivalents		97,971,327	98,519,680
Total current assets		**651,565,584**	**616,178,554**
Total assets		**1,488,260,056**	**1,428,809,489**
EQUITY			
Share capital		203,982,455	214,081,197
Other capital reserves		1,945,393	1,739,901
Retained earnings		989,156,472	931,455,065
Other components of equity		11,565,649	12,376,574
Total equity		**1,206,649,969**	**1,159,652,737**
LIABILITIES			
Non-current liabilities			
Borrowings		61,831,176	62,286,045
Deferred tax liability		1,113,346	1,829,852
Provisions		37,537,294	35,625,247
Total non-current liabilities		**100,481,816**	**99,741,144**
Current liabilities			
Borrowings		62,120,181	60,194,818
Mineral extraction tax and rent tax payable		68,698,626	46,054,359
Trade and other payables		35,007,052	47,304,799
Provisions		15,302,412	15,861,632
Total current liabilities		**181,128,271**	**169,415,608**
Total liabilities		**281,610,087**	**269,156,752**
Total liabilities and equity		**1,488,260,056**	**1,428,809,489**

Condensed Consolidated Interim Statement of Cash Flows (unaudited)

Tenge (000s)

		Six months ended June 30,	
	Notes	**2011**	**2010**
Cash flows from operating activities			
Profit before tax		147,264,427	136,425,410
Adjustments to add / (deduct) non-cash items			
Depreciation, depletion and amortisation		21,584,281	16,389,840
Share of result of associates and joint ventures		(48,578,975)	(18,848,047)
Loss on disposal of property, plant and equipment (PPE)		2,128,464	562,441
Impairment of PPE		694,575	12,305
Dry well expense on exploration and evaluation assets		–	383,264
Recognition of share based payments		205,492	80,023
Forfeiture of share-based payments		–	(5,320)
Unrealised foreign exchange loss on non-operating activities		2,666,604	2,238,543
Other non-cash income and expense		2,616,139	338,562
Add finance costs		3,788,517	3,943,942
Deduct finance income relating to investing activity		(15,375,218)	(20,863,493)
Working capital adjustments			
Change in other assets		6,480,428	(4,511,661)
Change in inventories		3,042,535	(557,655)
Change in taxes prepaid and VAT recoverable		10,804,488	(4,432,593)
Change in prepaid expenses		12,453,884	(4,522,176)
Change in trade and other receivables		(36,384,483)	(8,650,327)
Change in trade and other payables		(12,651,817)	(2,118,293)
Change in mineral extraction and rent tax payable		22,644,267	4,411,875
Change in provisions		1,470,977	836,932
Income tax paid		(38,491,420)	(60,128,183)
Net cash generated from operating activities		**86,363,165**	**40,985,389**
Cash flows from investing activities			
Purchases of PPE		(45,463,913)	(26,052,797)
Proceeds from sale of PPE		394,711	20,277
Purchases of intangible assets		(1,093,304)	(394,675)
Acquisition of share in a joint venture		(23,906,835)	–
Loans provided to a joint venture		(636,560)	–
Dividends received from joint ventures and associates		29,027,880	34,109,060
Interest received from investment in debt instruments of NC KMG		6,462,264	–
Purchase of financial assets held-to-maturity		(21,517,268)	(67,310,681)
Final payment on acquisition of subsidiary, net of cash acquired		(416,265)	–
Interest received		2,733,646	3,371,417
Net cash used in investing activities		**(54,415,644)**	**(56,257,399)**
Cash flows from financing activities			
Purchase of treasury shares		(10,198,758)	(6,546,233)
Repayment of borrowings		(541,412)	(487,198)
Dividends paid to Company's shareholders		(21,862,537)	(74,217)
Net cash used in financing activities		**(32,602,707)**	**(7,107,648)**
Net change in cash and cash equivalents		(655,186)	(22,379,658)
Cash and cash equivalents at beginning of the year		98,519,680	107,626,368
Exchange gains on cash and cash equivalents		106,833	10,759
Cash and cash equivalents at the end of the period		**97,971,327**	**85,257,469**

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 30 June 2011 and 2010.

1H 2011 (US$/bbl)	**UAS**	**CPC**	**Domestic**	**Average**
Benchmark end-market quote[4]	111.09	111.09	-	-
Sales price	105.34	109.50	26.48	90.50
Quality bank	-	(9.05)	-	(2.66)
Premium of bbl difference	(0.10)	9.18	-	2.18
Realised price[5]	**105.23**	**109.63**	**26.48**	**90.03**
Rent tax	24.47	24.43	-	19.33
Export customs duty	9.34	9.34		7.39
Transportation	7.66	7.62	1.45	6.35
Sales commissions	0.07	0.07	-	0.06
Adjusted realised price	**63.69**	**68.17**	**25.03**	**56.91**

1H 2010 (US$/bbl)	**UAS**	**CPC**	**Domestic**	**Average**
Benchmark end-market quote[4]	77.29	77.29	-	-
Sales price	73.27	76.53	20.52	64.05
Quality bank	-	(6.49)	-	(1.87)
Premium of bbl difference	(0.18)	5.66	-	1.29
Realised price[5]	**73.10**	**75.71**	**20.52**	**63.47**
Rental tax	12.68	12.67	-	10.17
Transportation	7.48	7.22	1.50	6.17
Sales commissions	0.07	0.07	-	0.06
Adjusted realised price	**52.87**	**55.74**	**19.02**	**47.07**

Reference information	**1H 2011**	**1H 2010**
Average exchange US$/KZT rate	146.00	147.26
End of period US$/KZT rate	146.25	147.46
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
Coefficient barrels to tones 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 2010 was 13.3mt (an average of 270kbopd) of crude oil, including the Company's share in Kazgermunai, CCEL, PKI and NBK. The total volume of proved and probable reserves, as at the end of 2010 was 232mt (1.7bn bbl), including shares in the associates - 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 "BB+" corporate credit rating in June 2011 and "GAMMA-6" rating in November 2010.

For further details please contact us at:

KMG EP. Public Relations (+7 7172 97 7600)
Daulet Zhumadil
E-mail: pr@kmgep.kz

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

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

Forward-looking statements