PRESS - RELEASE

JSC KazMunaiGas Exploration Production
9M 2013 financial results

Astana, 7 November 2013. JSC KazMunaiGas Exploration Production ("KMG EP" or "the Company") announces its condensed consolidated interim financial results for the nine months ended September 30, 2013.

- In the first nine months of 2013 average Brent price declined by 3% from US$112.24 to US$108.46 per barrel compared to the same period of 2012. Export sales volumes dropped by 3%. The Company's revenues in the first nine months of 2013 stayed at almost the same level 606bn Tenge (US$4,000m)[1] compared to the same period of 2012.
- Net profit was 93.2bn Tenge (US$615m), 46% less than in the corresponding period of last year, largely due to an impairment charge posted in 1Q2013, as well as a decline in income of joint ventures and associates and higher production costs.
- Production expenses amounted to 126bn Tenge (US$832m), which is 20% higher compared to the same period of 2012 mainly due to an increase in payroll expenses and growth in repairs and maintenance expenses.

Production Highlights

In the first nine months of 2013 KMG EP produced 9,227 thousand tonnes of crude oil (250kbopd), including the Company's stakes in Kazgermunai (KGM), CCEL (CCEL) and PetroKazakhstan Inc. (PKI), which is 119 thousand tonnes, or 1% more than in the same period of 2012.

Ozenmunaigas JSC (OMG) produced 3,873 thousand tonnes (104kbopd), an increase of 5% over the same period of 2012. Embamunaigas JSC (EMG) produced 2,124 thousand tonnes (57kbopd), which is 1% more than in the same period of 2012. The total volume of oil produced at OMG and EMG in the first nine months of 2013 is 5,997 thousand tonnes (162kbopd), which is a 4% increase over the same period of 2012.

The Company's share in production from KGM, CCEL and PKI for the first nine months of 2013 amounted to 3,230 thousand tonnes of crude oil (88kbopd), which is 3% less than in the same period of 2012, mainly due to a natural decline of production at PKI by 6% and a delayed receipt of the production contracts for some PKI fields. Therefore, the Company expects that its share in PKI production will amount to 1.7 million tonnes in 2013. It is expected that both CCEL and KGM will achieve initial production plans of 1.0 million tonnes (19kbopd) and 1.5 million tonnes (32kbopd), respectively in 2013.

[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 9M13 and 9M12 was 151.58 and 148.66 Tenge/US$, respectively; period-end rates at September 30, 2013 and December 31, 2012 was 153.62 and 150.74 Tenge/US$, respectively).

Crude Oil Sales

In the first nine months of 2013 the Company's combined export sales from OMG and EMG were 4,482 thousand tonnes (119kbopd), or 74% of the total sales volume from core assets. Domestic sales amounted to 1,535 thousand tonnes (41kbopd), or 26% of total sales volume.

The Company's share in the sales from KGM, CCEL and PKI was 3,217 thousand tonnes of crude oil (89kbopd), including 2,841 thousand tonnes (79kbopd), or 88% supplied to export markets.

Net Profit for the Period

Net profit in the first nine months of 2013 was 93.2bn Tenge (US$615m), 46% less than in the corresponding period of last year, largely due to an impairment charge posted in 1Q2013, as well as a decline in income of joint ventures and associates and higher production costs.

Revenues

The Company's revenues in the first nine months of 2013 stayed at almost the same level 606bn Tenge (US$4,000m) compared to the same period of 2012. The decline of Brent price by 3% and 142 thousand tonnes lower export sales were partially offset by 281 thousand tonnes higher domestic sales. The Company expects that domestic sales from core assets in 2013 will remain at the planned level.

Taxes other than on Income

Taxes, other than on income, in the first nine months of 2013 amounted to 229bn Tenge (US$1,508m), which is 4% higher compared to the same period of 2012, largely due to an increase in export customs duty on April 12, 2013 (from US$40 per tonne to US$60 per tonne) and a 4.0bn Tenge (US$26.5m) increase in environmental tax as a result of an inspection carried out by tax authorities.

Production Expenses

Production expenses in the first nine months of 2013 were 126bn Tenge (US$832m), which is 20% higher compared to the same period of 2012 mainly due to an increase in employee benefits and repairs and maintenance.

Employee benefits expenses in the first nine months of 2013 increased by 18% compared to the same period of 2012 mainly due to an indexation of salary for production personnel by 7% in January 2013, and the start of production activity at two new service units. During the first nine months of 2012 most of the employee benefits expenses of these new service units were classified as administrative expenses.

Repairs and maintenance expenses grew compared to the first nine months of 2012, mainly due to the increase in number of well workover operations from 290 to 397 at OMG and EMG.

Selling, General and Administrative Expenses

Selling, general and administrative expenses in the first nine months of 2013 amounted to 70bn Tenge (US$461m), which is 5% lower than in the same period of 2012, primarily due to a decrease of employee benefits and sponsorship expenses. At the same time transportation costs grew by 16% compared to the same period of 2012 as a result of an increase in tariffs for the Uzen-Atyrau-Samara route.

Exploration Expenses

In the first nine months of 2013 exploration expenses amounted to 10.5bn Tenge (US$69m), compared to 5.1bn Tenge (US$34m) in the same period of 2012. In 3Q 2013 the Company recognized dry well expenses in the amount of 2.9bn Tenge (US$19m) relating to the exploration well drilled on the Zharkamys East block.

Impairment of Assets

As reported earlier, in the first quarter of 2013 the management of the Company accepted a 56bn Tenge (about US$370m) impairment charge of the recoverable value of JSC “Ozenmunaigas”. The impairment charge relates primarily to the increase in export customs duty that occurred on 12 April 2013.

Tax Audit for 2006-2008

On July 12, 2012, the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan completed the 2006-2008 comprehensive tax audit of the Company. As a result of this tax audit the tax authorities estimated additional taxes for the Company of 16.9bn Tenge (US$112m). As at September 30, 2013, existing provision for tax is at 15,8bn Tenge (US$104m) in respect of this matter. The Company expects to receive a clarification from the Ministry of Finance of the Republic of Kazakhstan by the end of 2013. (For more details see 6M13 financial results press-release.)

Mineral Extraction Tax

On July 2, 2013, the Tax Committee of Yessil district of Astana issued a notification to the Company regarding the 8.8bn Tenge (US$58m) payable for discrepancies identified in the data reported in the Company’s Mineral Extraction Tax returns and the data supplied by the Ministry of Oil and Gas of Republic of Kazakhstan for the period from 2009 to 2012. As the management believes that it is more likely than not that the Company will be successful in its appeal, no provisions in relation to this matter have been made in the consolidated financial statements as at September 30, 2013. (For more details see 6M13 financial results press-release.)

Ozenmunaigas Environmental Audit

As reported, on January 25, 2013, JSC “Ozenmunaigas” received a notification from the Department of Ecology of Mangystau Region to pay the state budget 59.3bn Tenge (US$392m) in fines for environmental damages following an inspection that covered the period from August 27, 2011 to November 12, 2012. JSC “Ozenmunaigas” disagreed with this notification and on February 26, 2013, filed an appeal to the Specialized Interregional Economic Court of Mangystau Region stating that the act was illegal and that calculations were not reliable. On March 7, 2013 the Department of Ecology of Mangystau Region filed a claim with the same Court for the enforced payment of the fines.

On May 22, 2013, the Court satisfied the appeal of JSC “Ozenmunaigas” in full. The Court ruled the inspection carried out by the Department of Ecology of Mangystau Region to be invalid, and the act, instructions on corrective actions and calculations illegal.

No provision has been accrued for this matter in the consolidated financial statements as at September 30, 2013. (For more details see 6M13 financial results press-release.)

Embamunaigas environmental audit

The Department of Ecology of Atyrau Region of the Committee of Ecological Regulation and Control of the Ministry of Environment and Water Resources of the Republic of Kazakhstan ("Department of Ecology") conducted an off-schedule inspection from June 1 to July 4, 2013 to determine whether production activities of JSC "Embamunaigas" comply with ecological requirements, including associated gas utilization requirements.

The inspection report stated that gas utilization on some oilfields is not being handled in accordance with the approved technological development plans. As a result the Committee of Ecological Regulation and Control of the Ministry of Environment and Water Resources of the Republic of Kazakhstan recalled its previous positive reports on the environmental protection sections of these approved development plans. In addition, the Department of Ecology of Atyrau Region recalled its positive reports on projected maximum of permitted emissions at East Makat, South-East Novobagatinsk and East Zhanatalap oilfields of JSC "Embamunaigas" and filed a legal claim requesting the suspension of commercial development of these oilfields.

In its September 24, 2013 decision the Specialized Interregional Economic Court of the Atyrau Region ruled to suspend commercial development of the three oilfields until the violations of ecological requirements are eliminated and a positive ecological report is obtained. On October 21, 2013, JSC "Embamunaigas" filed an appeal to the Atyrau Regional Court requesting the cancellation of this decision.

The Company has made amendments to the development project documentations of the three oil fields and has received preliminary conclusion of ecological expertise of the Department of Ecology of Atyrau region. On October 28, 2013, the development project documentation was provided to Committee of Ecological Control of the Ministry of Environment and Water Resources for final environmental expertise.

The Company expects to receive the court of appeal decision in 4Q2013.

Cash Flows from Operating Activities

Operating cash flow in the first nine months of 2013 was 88bn Tenge (US$581m), which is 7% lower than in the same period of 2012, mainly due to higher production expenses.

Capex

Purchases of property, plant and equipment and intangible assets (as per Cash Flow Statement) in the first nine months of 2013 were 89bn Tenge (US$588m) as planned, which is 17% higher compared to the same period of 2012 mainly due to the increase in the number of wells drilled and implementation of the modernization programme.

Cash and Debt

Cash and cash equivalents as at 30 September 2013 amounted to 207bn Tenge (US$1.3bn) compared to 155bn Tenge (US$1.0bn) as at 31 December 2012.

Other financial assets (current and non-current) at 30 September 2013 were 440bn Tenge (US$2.9bn) compared to 552bn Tenge (US$3.7bn) as at 31 December 2012.

In June 2013 KMG NC fully repaid the Bond with an outstanding principal and accrued interest of 137bn Tenge (US$909m) as at March 31, 2013. KMG EP purchased the 222bn Tenge (US$ 1.5bn) NC KMG Bonds in June 2010 with a maturity date of June 24, 2013.

As at 30 September 2013, 82% of cash and financial assets were denominated in foreign currencies and 18% were denominated in Tenge. Finance income accrued on cash and financial assets in the first nine months of 2013 was 15.9bn Tenge (US$105m).

Borrowings as at 30 September 2013 were 7.0bn Tenge (US$45m) compared to 7.3bn Tenge (USD$48m) as at 31 December 2012.

The net cash position[2] as at 30 September 2013 was 640bn Tenge (US$4.2bn) compared to 699bn Tenge (US$4.6bn) as at 31 December 2012.

Income from associates and joint ventures

In the first nine months of 2013 KMG EP's share of results of associates and joint ventures was 39bn Tenge (US$259m) compared to 63bn Tenge (US$424m) in the same period of 2012.

Kazgermunai

In the first nine months of 2013 KMG EP recognised 22bn Tenge (US$144m) of income from its share in KGM. This amount represents 50% of KGM's net profit of 32bn Tenge (US$212m) net of the effect of amortization of the fair valuation of the licenses, partially offset by a related deferred tax benefit of 10bn Tenge (US$68m).

KGM's net profit decreased by 15% compared to the same period of 2012 mainly due to an increase in export customs duty rate and one-off accruals of environmental payments, additional rent tax for 2009-2012 and additional accruals for corporate income tax and excess profit tax for 2009-2012.

PetroKazakhstan Inc.

In the first nine months of 2013 KMG EP recognised 17bn Tenge (US$115m) of income from its share in PKI. This amount represents 33% of PKI's net profit of 21bn Tenge (US$138m) net of the effect of amortization of the fair valuation of the licenses in the amount of 3bn Tenge (US$23m).

PKI's net profit declined by 51% compared to the same period of 2012 mainly due to lower sales of refined products. Starting from April 2012 PKI was not engaged in processing and sale of oil products. The decline in net income is also a result of an increase in export customs duty and one-off accruals of environmental payments and additional accruals for corporate income tax and excess profit tax for 2009-2012.

CCEL

As of 30 September 2013 the Company has 18.1bn Tenge (US$117m) as a receivable from CCEL, a jointly controlled entity with CITIC Resources Holdings Limited. The Company has accrued 2.1bn Tenge (US$13.8m) of interest income in the first nine months of 2013 related to the US$26.87m annual priority return from CCEL.

[2] Cash, cash equivalents and other financial assets (including the Bond) less borrowings as at the end of the reporting period.

***

The condensed consolidated interim financial statements for the nine months ended September 30, 2013, the notes thereto, and the operating and financial review for the period is available on the Company's website (www.kmgep.kz).

APPENDIX

Consolidated Interim Statement of Comprehensive Income (unaudited)

Tenge million

	Three months ended September 30,		Nine months ended September 30,	
	2013	**2012**	**2013**	**2012**
Revenue	222,469	206,099	606,306	604,642
Share of results of associate and joint ventures	10,176	22,125	39,324	63,030
Finance income	4,312	6,439	15,859	23,345
Total revenue and other income	**236,957**	**234,663**	**661,489**	**691,017**
Production expenses	(43,838)	(33,993)	(126,166)	(104,727)
Selling, general and administrative expenses	(23,749)	(28,778)	(69,876)	(73,723)
Exploration expenses	(3,558)	(731)	(10,470)	(5,057)
Depreciation, depletion and amortization	(14,969)	(14,178)	(36,966)	(39,770)
Taxes other than on income	(85,370)	(74,570)	(228,514)	(218,842)
Impairment of property, plant and equipment	(70)	–	(58,562)	(532)
Loss on disposal of fixed assets	(924)	(1,408)	(2,840)	(1,808)
Finance costs	(1,575)	(2,628)	(5,687)	(5,601)
Foreign exchange gain, net	7,282	2,235	11,422	6,491
Profit before tax	**70,186**	**80,612**	**133,830**	**247,448**
Income tax expense	(15,828)	(29,241)	(40,669)	(74,612)
Profit for the period	**54,358**	**51,371**	**93,161**	**172,836**
Exchange difference on translating foreign operations	3,223	883	4,878	2,387
Other comprehensive income for the period to be reclassified to profit and loss in subsequent periods	**3,223**	**883**	**4,878**	**2,387**
Total comprehensive income for the period, net of tax	**57,581**	**52,254**	**98,039**	**175,223**
Basic and diluted	0.80	0.74	1.37	2.48

Consolidated Interim Statement of Financial Position

Tenge million

	September 30, 2013	December 31, 2012
	Unaudited	**Audited**
ASSETS		
Non-current assets		
Property, plant and equipment	313,027	325,520
Intangible assets	11,026	19,584
Investments in joint ventures	93,694	89,252
Investments in associate	118,213	118,959
Receivable from a jointly controlled entity	16,698	14,326
Loans receivable from joint ventures	19,182	13,150
Other financial assets	14,175	1,085
Deferred tax asset	36,754	31,968
Other assets	9,505	17,200
Total non-current assets	**632,274**	**631,044**
Current assets		
Inventories	22,298	25,058
Income taxes prepaid	45,288	17,806
Taxes prepaid and VAT recoverable	65,816	56,257
Mineral extraction tax prepaid	1,529	8,073
Prepaid expenses	17,581	15,539
Trade and other receivables	123,735	101,168
Receivable from a jointly controlled entity	1,425	3,895
Other financial assets	426,221	550,556
Cash and cash equivalents	206,592	154,705
Total current assets	**910,485**	**933,057**
Total assets	**1,542,759**	**1,564,101**
EQUITY		
Share capital	162,962	162,952
Other capital reserves	2,480	2,474
Retained earnings	1,137,147	1,154,335
Other components of equity	22,887	18,009
Total equity	**1,325,476**	**1,337,770**
LIABILITIES		
Non-current liabilities		
Borrowings	4,455	4,848
Deferred tax liability	490	−
Provisions	40,031	36,927
Total non-current liabilities	**44,976**	**41,775**
Current liabilities		
Borrowings	2,507	2,462
Income taxes payable	21,777	32,103
Mineral extraction tax and rent tax payable	67,529	50,417
Trade and other payables	60,469	82,255
Provisions	20,025	17,319
Total current liabilities	**172,307**	**184,556**
Total liabilities	**217,283**	**226,331**
Total liabilities and equity	**1,542,759**	**1,564,101**

Consolidated Interim Statement of Cash Flows (unaudited)

Tenge million

	Nine months ended September 30,	
	2013	**2012**
Cash flows from operating activities		
Profit before tax	133,830	247,448
Adjustments to add / (deduct) non-cash items		
Depreciation, depletion and amortisation	36,966	39,770
Share of results of associate and joint ventures	(39,324)	(63,030)
Loss on disposal of property, plant and equipment (PPE)	2,840	1,808
Impairment of PPE and intangible assets	58,608	508
Dry well expense on exploration and evaluation assets	9,316	3,736
Recognition of share-based payments	142	266
Forfeiture of share-based payments	(136)	–
Unrealised foreign exchange gain on non-operating activities	(6,702)	(5,566)
Other non-cash income and expense	1,266	1,677
Add finance costs	5,687	5,601
Deduct finance income relating to investing activity	(15,859)	(23,345)
Working capital adjustments		
Change in other assets	373	175
Change in inventories	4,364	4,614
Change in taxes prepaid and VAT recoverable	(10,083)	(14,026)
Change in prepaid expenses	(2,043)	(3,929)
Change in trade and other receivables	(22,557)	(56,993)
Change in trade and other payables	(16,173)	18,509
Change in mineral extraction and rent tax payable	17,139	3,073
Change in provisions	2,438	8,560
Income tax paid	(72,039)	(73,777)
Net cash generated from operating activities	**88,053**	**95,079**
Cash flows from investing activities		
Purchases of PPE	(83,103)	(67,666)
Proceeds from sale of PPE	34	825
Purchases of intangible assets	(6,112)	(8,645)
Loans provided to the joint ventures	(7,195)	(1,724)
Dividends received from joint ventures and associate, net of withholding tax	38,142	66,153
Interest received from investment in Debt Instruments of NC KMG	4,734	6,586
Proceeds from repayment of investment in Debt Instruments of NC KMG	135,243	–
Purchase of financial assets held-to-maturity	(16,473)	(92,036)
Proceeds from sale of other financial assets	–	5,546
Repayments of loans receivable from related parties	2,511	2,856
Interest received	6,562	2,345
Net cash generated from / (used in) investing activities	**74,343**	**(85,760)**
Cash flows from financing activities		
Share buy back	–	(25,399)
Repayment of borrowings	(808)	(81,129)
Dividends paid to Company's shareholders	(109,875)	(33,886)
Interest paid	–	(2,975)
Net cash used in financing activities	**(110,683)**	**(143,389)**
Net change in cash and cash equivalents	51,713	(134,070)
Cash and cash equivalents at the beginning of the period	154,705	206,512
Exchange gain / (loss) on cash and cash equivalents	174	(4)
Cash and cash equivalents at the end of the period	**206,592**	**72,438**

The following tables show the Company's realised sales prices adjusted for oil and oil products transportation and other expenses for the nine months ended September 30, 2013.

9M13 (US$/bbl[3])	**UAS**	**CPC**	**Domestic**
Benchmark end-market quote[4]	108,5	108,5	-
Quality bank	-	(7,4)	
Price differential	(2,1)	(1,3)	
Realised price	**106,4**	**99,8**	**36,9**
Rent tax	(24,0)	(23,6)	-
Export customs duty	(7,0)	(6,6)	-
Transportation	(8,9)	(7,6)	(1,9)
Netback	**66,5**	**62,0**	**35,0**
Premium of bbl difference	-	8,3	-
Effective netback incl. premium of bbl difference	**66,5**	**70,3**	**35,0**

9M12 (US$/bbl[3])	**UAS**	**CPC**	**Domestic**
Benchmark end-market quote[4]	112,2	112,2	-
Quality bank	-	(7,3)	
Price differential	(3,0)	(2,2)	
Realised price	**109,2**	**102,7**	**35,1**
Rent tax	(23,7)	(24,0)	-
Export customs duty	(5,5)	(5,0)	-
Transportation	(7,5)	(7,1)	(1,1)
Netback	**72,5**	**66,6**	**34,0**
Premium of bbl difference	-	8,1	-
Effective netback incl. premium of bbl difference	**72,5**	**74,7**	**34,0**

Reference information	**9M2013**	**9M2012**
Average exchange US$/KZT rate	151.58	148.66
End of period US$/KZT rate	153.62	149.86
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

[3] Converted at actual barrels per tonne of crude oil
[4] The Brent (DTD) quoted price is used as benchmark

NOTES TO EDITORS

KMG EP is among the top three Kazakh oil and gas producers. The overall production in 2012 was 12.2mt (an average of 247kbopd) of crude oil, including the Company's share in Kazgermunai, CCEL and PKI. The Company's total consolidated volume of proved and probable reserves including shares in the associates, as at the end of 2012 was 204 mt (1.5bn bbl), out of which 148 mt (1.1bn bbl) relates to Ozenmunaigas and Embamunaigas. 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 May 2013.

For further details please contact us at:

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

«KMG EP». Public Relations (+7 7172 97 7915)
Zhanna Oyshybaeva
e-mail: pr@kmgep.kz

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

Forward-looking statements

This document includes statements that are, or may be deemed to be, ''forward-looking statements''. These forward-looking statements can be identified by the use of forward-looking terminology including, but not limited to, the terms ''believes'', ''estimates'', ''anticipates'', ''expects'', ''intends'', ''may'', ''target'', ''will'', or ''should'' or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They include, but are not limited to, statements regarding the Company's intentions, beliefs and statements of current expectations concerning, amongst other things, the Company's results of operations, financial condition, liquidity, prospects, growth, potential acquisitions, strategies and as to the industries in which the Company operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that may or may not occur. Forward-looking statements are not guarantees of future performance and the actual results of the Company's operations, financial condition and liquidity and the development of the country and the industries in which the Company operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this document. The Company does not intend, and does not assume any obligation, to update or revise any forward-looking statements or industry information set out in this document, whether as a result of new information, future events or otherwise. The Company does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved.