PRESS - RELEASE

JSC KazMunaiGas Exploration Production
1Q 2011 Financial results

Astana, May 10, 2011. JSC KazMunaiGas Exploration Production ("KMG EP" or "the Company") released its consolidated financial statements for the three months ended March 31, 2011:

- The average price of Brent in the first three months of 2011 was 38% higher than in the same period last year, up from US$76 per barrel to US$105 per barrel

- Net profit amounted to 59bn Tenge (US$403m)[1] and earnings per share – 810 Tenge (US$0.9 per GDR), an increase of 14% compared to the same period in 2010.

Production Highlights

In the first three months of 2011 KMG EP's consolidated production was 3,172 thousand tonnes of crude oil (261 kbopd) including the Company's stakes in LLP Kazgermunai JV (KGM), CCEL (CCEL, Karazhanbasmunai) and PetroKazakhstan Inc. (PKI). This is 9 thousand tonnes or 0.3% less than during the same period in 2010.

The Company produced 2,093 thousand tonnes (171 kbopd) of oil at Uzenmunaigas and Embamunaigas production facilities, which is 8 thousand tonnes or 0.4% higher than in the same period of last year. The results of the first quarter were negatively affected by a number of emergency power cuts in the fields, caused by severe weather conditions in March 2011.

The Company's export sales and domestic sales volumes from Uzenmunaigas and Embamunaigas production facilities were 1,682 thousand tonnes (138 kbopd) and 398 thousand tonnes (33 kbopd), respectively.

The Company's share in the production volumes from KGM, CCEL and PKI[2] amounted to 1,079 thousand tonnes of crude oil (90 kbopd), which is 17 thousand tones or 2% less than in the same period in 2010.

The Company's share in the sales volumes from KGM, CCEL and PKI[2] was 1,213 thousand tonnes of crude oil (101 kbopd), including 969[2] thousand tonnes (81 kbopd) or 80% supplied to export markets.

Net Profit for the Period

Profit after tax (net income) in the first three months of 2011 was 59bn Tenge (US$403m). This represents a 14% growth compared to the same period of 2010, which is mainly explained by a 38% increase in oil price, partly offset by increase in operating taxes, production costs and selling, general and administrative expenses.

---

[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 146.42 – 1Q2011, 147.70 – 1Q2010; period-end rates: USD/KZT 145.70 – 1Q2011, 147.11 – 1Q2010) 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.*
[2] *Including PKI's 50% share in JSC "Turgai-Petroleum" results.*

Revenue

The Company's revenue in the first three months of 2011 increased by 31%, compared to the same period in 2010 and amounted to 192bn Tenge (US$1,308m). This was due to a 33% increase in the average realized price, from 69,022 Tenge per tonne (US$64.64 per barrel) to 91,682 Tenge per tonne (US$86.61 per barrel).

Taxes Other than on Income

Taxes other than on income in the first three months of 2011 were 73bn Tenge (US$495m), which is 79% 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.

Production Expenses

Production expenses in the first three months of 2011 were 30bn Tenge (US$203m), which is 37% higher compared to the same period of 2010. A significant part of the production costs increase is due to increase in payroll and repairs and maintenance expenses. 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 increased number of repaired wells and higher repair cost per well.

Selling, General and Administrative Expenses

Selling, general and administrative expenses in the first three months of 2011 were 25bn Tenge (US$173m), which is 22% higher compared to the same period of 2010, mainly due to increase in fines in penalties related to an environmental fine accrual as well as increase in transportation and payroll expenses.

The environmental fine accrual is related to gas flaring at Prorva group of fields when it was not feasible to obtain the required regulatory permissions in a timely manner. 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 transportation expenses was mainly due to increased volume of transportation through CPC pipeline and a 9% increase of transportation tariffs imposed by Transneft from 1st January 2011.

Cash Flows

Operating cash flow in the first three months of 2011 was 46bn Tenge (US$317m) compared to 9bn Tenge (US$62m) in same period of 2010.

Capex

Purchases of property, plant and equipment (as per Cash Flow Statement) in the first three months of 2011 were 18bn Tenge (US$122m), representing 68% increase compared to the same period of 2010, in accordance with Capex budget for 2011.

Cash and Debt

Cash and cash equivalents as at 31 March 2011 amounted to 115bn Tenge (US$792m) compared to 99bn Tenge (US$668m) as at 31 December 2010.

Other financial assets (current and non-current) at 31 March 2011 were 607bn Tenge (US$4.2bn) 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 221.5 billion Tenge (US$1.5bn) which carry an annual coupon of 7% and will mature in June 2013 as per previously disclosed information. KMG EP recognized 3.8bn Tenge (US$26m) interest income from NC KMG Bonds in the first three months of 2011.

As at 31 March 2011, 81% of cash and financial assets (including the Bond) were denominated in foreign currency and 19% were denominated in Tenge. Interest accrued on deposits in banks in the first three months of 2011 was 7.7bn Tenge (US$52m).

Borrowings were 122,2bn Tenge (US$838m) as at 31 March 2011 compared to 122,5bn Tenge (US$831m) as at 31 December 2010. Borrowings include 114bn Tenge (US$784m) of non-recourse debt of KMG PKI Finance B.V. related to the acquisition of the 33% interest in PKI.

Net cash position[3] at 31 March 2011 amounted to 600bn Tenge (US$4.1bn) compared to 576bn Tenge (US$3.9bn) as at 31 December 2010.

Contribution from Strategic Acquisitions

In the first three months of 2011 KMG EP's share of results of associates and joint ventures was 22bn Tenge (US$148m) compared to a 12bn Tenge (US$82m) in same period of 2010. The financial results of associates and joint ventures in the first three months of 2011 were primarily affected by the higher oil price compared to the same period of 2010.

Kazgermunai

In the first three months of 2011 KMG EP recognised a 10.0bn Tenge (US$68m) income from its share in KGM. This amount represents 50% of KGM's net profit of 11.8bn Tenge (US$81m) and 0.9bn Tenge (US$6m) deferred income tax benefit net of 2.1bn Tenge (US$14m) from the effect of purchase price premium amortization and 0.7bn Tenge (US$4m) deferred income tax amortisation.
On March 31, 2011 the partners of Kazgermunai agreed to distribute 200 million US Dollars as a dividend payment. The Company received its 50% share of the above dividend amount on April 6, 2011.

PetroKazakhstan Inc.

In the first three months of 2011 KMG EP recognised a 11.7bn Tenge (US$80m) income from its share in PKI. This amount represents 33% of PKI's net profit of 14.4bn Tenge (US$99m) net of

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

2.8bn Tenge (US$19m) from the effect of purchase price premium amortization.

CCEL

As of 31 March 2011 the Company has recognised the amount of 20.9bn Tenge (US$143m) as a receivable from CCEL, a jointly controlled entity with CITIC Group. The Company has accrued 0.7bn Tenge (US$5.0m) of interest income for the first three months of 2011 related to the US$26.87m annual priority return from CCEL.

***

The consolidated financial statements for the three months ended March 31, 2011 with Notes are available on the Company's website (www.kmgep.kz).

APPENDIX[4]

Condensed Consolidated Interim Statement of Comprehensive Income (unaudited)

Tenge (000s)

	Three months ended March 31, 2011	2010
Revenue	191,523,819	146,056,663
Share of results of associates and joint ventures	21,689,668	12,131,263
Finance income	7,664,271	10,690,463
Total revenue and other income	**220,877,758**	**168,878,389**
Production expenses	(29,662,162)	(21,710,857)
Selling, general and administrative expenses	(25,383,641)	(20,730,780)
Exploration expenses	(48,910)	(383,264)
Depreciation, depletion and amortization	(10,773,322)	(7,947,791)
Taxes other than on income	(72,535,752)	(40,628,747)
Loss on disposal of fixed assets	(615,325)	(26,637)
Finance costs	(1,710,165)	(1,964,536)
Foreign exchange losses	(7,058,539)	(4,239,971)
Profit before tax	**73,089,942**	**71,245,806**
Income tax expense	(14,061,911)	(19,566,771)
Profit for the period	**59,028,031**	**51,679,035**
Exchange difference on translating foreign operations	(1,611,054)	(681,195)
Other comprehensive loss for the period, net of tax	**(1,611,054)**	**(681,195)**
Total comprehensive income for the period, net of tax	**57,416,977**	**50,997,840**
EARNINGS PER SHARE		
Basic and diluted	0.81	0.71

[4] 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)

	March 31, 2011	December 31, 2010
	Unaudited	**Audited**
ASSETS		
Non-current assets		
Property, plant and equipment	304,562,802	297,508,553
Intangible assets	12,196,103	15,185,859
Investments in joint ventures	91,697,775	96,737,910
Investments in associates	150,008,523	139,952,442
Receivable from a jointly controlled entity	18,661,640	19,153,089
Other financial assets	219,082,156	221,825,818
Deferred tax asset	8,092,996	8,408,967
Other assets	10,391,225	13,858,297
Total non-current assets	**814,693,220**	**812,630,935**
Current assets		
Inventories	18,607,302	18,779,936
Taxes prepaid and VAT recoverable	17,246,652	26,529,298
Prepaid expenses	31,971,624	27,815,083
Trade and other receivables	96,946,102	65,529,767
Dividends receivable from a joint venture	14,562,000	–
Receivable from a jointly controlled entity	2,191,072	1,203,834
Other financial assets	387,735,512	377,800,956
Cash and cash equivalents	115,380,226	98,519,680
Total current assets	**684,640,490**	**616,178,554**
Total assets	**1,499,333,710**	**1,428,809,489**
EQUITY		
Share capital	209,540,578	214,081,197
Other capital reserves	1,840,005	1,739,901
Retained earnings	990,483,096	931,455,065
Other components of equity	10,765,520	12,376,574
Total equity	**1,212,629,199**	**1,159,652,737**
LIABILITIES		
Non-current liabilities		
Borrowings	61,492,120	62,286,045
Deferred tax liability	1,327,927	1,829,852
Provisions	37,104,667	35,625,247
Total non-current liabilities	**99,924,714**	**99,741,144**
Current liabilities		
Borrowings	60,662,650	60,194,818
Mineral extraction tax and rent tax payable	62,050,847	46,054,359
Trade and other payables	47,652,573	47,304,799
Provisions	16,413,727	15,861,632
Total current liabilities	**186,779,797**	**169,415,608**
Total liabilities	**286,704,511**	**269,156,752**
Total liabilities and equity	**1,499,333,710**	**1,428,809,489**

Condensed Consolidated Interim Statement of Cash Flows (unaudited)

Tenge (000s)

	Three months ended March 31,	
	2011	**2010**
Cash flows from operating activities		
Profit before tax	73,089,942	71,245,806
Adjustments to add / (deduct) non-cash items		
Depreciation, depletion and amortisation	10,773,322	7,947,791
Share of result of associates and joint ventures	(21,689,668)	(12,131,263)
Loss on disposal of property, plant and equipment (PPE)	615,325	26,637
Impairment / (reversal of impairment) of PPE	16,800	(29,571)
Dry well expense on exploration and evaluation assets	–	383,264
Recognition of share based payments	100,104	39,402
Unrealised foreign exchange loss / (gain) on non-operating activities	5,081,538	(8,828,020)
Other non-cash income and expense	2,039,182	289,589
Add finance costs	1,710,165	1,964,536
Deduct finance income relating to investing activity	(7,664,271)	(10,690,463)
Working capital adjustments		
Change in other assets	4,973,314	(7,206,517)
Change in inventories	(140,613)	57,639
Change in taxes prepaid and VAT recoverable	7,217,846	(303,946)
Change in prepaid expenses	(4,156,541)	(2,502,054)
Change in trade and other receivables	(31,335,320)	(12,691,429)
Change in trade and other payables	990,263	(4,674,571)
Change in mineral extraction and rent tax payable	15,996,488	3,466,553
Change in provisions	407,273	553,209
Income tax paid	(11,637,462)	(17,716,592)
Net cash generated from operating activities	**46,387,687**	**9,200,000**
Cash flows from investing activities		
Purchases of PPE	(17,844,980)	(10,597,636)
Proceeds from sale of PPE	407,226	18,046
Purchases of intangible assets	(270,906)	–
Dividends received from joint ventures and associates	–	2,434,080
(Purchase) / sale of financial assets held-to-maturity	(8,324,761)	2,005,033
Deferred payment for acquisition of subsidiary	(416,265)	–
Interest received	1,823,279	2,506,835
Net cash used in investing activities	**(24,626,407)**	**(3,633,642)**
Cash flows from financing activities		
Purchase of treasury shares	(4,567,978)	(4,640,640)
Repayment of borrowings	(278,363)	(231,682)
Dividends paid to Company's shareholders	(52,662)	(38,261)
Net cash used in financing activities	**(4,899,003)**	**(4,910,583)**
Net change in cash and cash equivalents	16,862,277	655,775
Cash and cash equivalents at beginning of the year	98,519,680	107,626,368
Exchange losses on cash and cash equivalents	(1,731)	(15,531)
Cash and cash equivalents at the end of the period	**115,380,226**	**108,266,612**

The following tables show the Company's realised sales prices adjusted for oil and oil products transportation and other expenses for the three months ended March 31, 2011 and 2010.

1Q 2011 (US$/bbl)	**UAS**	**CPC**	**Domestic**	**Average**
Benchmark end-market quote[5]	105.43	105.43	-	-
Sales price	98.61	104.32	26.72	87.05
Quality bank	-	(8.62)	-	(2.64)
Premium of bbl difference[6]	(0.09)	8.76	-	2.49
Realised price	**98.53**	**104.46**	**26.72**	**86.90**
Rent tax	22.87	22.88	-	22.87
Export customs duty	4.41	4.41	-	4.41
Transportation	7.59	7.83	2.02	6.69
Sales commissions	0.07	0.07	-	0.06
Adjusted realised price	**63.59**	**69.27**	**24.71**	**52.87**

1Q 2010 (US$/bbl)	**UAS**	**CPC**	**Domestic**	**Average**
Benchmark end-market quote[5]	76.36	76.36	-	-
Sales price	73.38	75.62	19.97	64.92
Quality bank	-	(5.99)	-	(1.62)
Premium of bbl difference[6]	(0.17)	5.91	-	1.51
Realised price	**73.21**	**75.55**	**19.97**	**64.81**
Rental tax	12.08	12.04	-	9.97
Transportation	7.70	6.76	1.58	6.37
Sales commissions	0.07	0.06	-	0.06
Adjusted realised price	**53.36**	**56.67**	**18.39**	**48.50**

Reference information	**1Q 2011**	**1Q 2010**
Average exchange US$/KZT rate	146.42	147.70
End of period US$/KZT rate	145.70	147.11
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

[5] *The Brent (DTD) quoted price is used as benchmark*
[6] *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 July 2010 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

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.