PRESS - RELEASE

JSC KazMunaiGas Exploration Production

2012 Financial Results

Astana, 13 March 2012. JSC KazMunaiGas Exploration Production ("KMG EP" or "the Company") announces its consolidated financial statements for the year ended December 31, 2012.

- Revenues of 797bn tenge (US$5,346m)[1], which is 11% higher than 2011 mainly due to higher export volumes and higher domestic prices.
- Net profit of 161bn tenge (US$1,079m) and earnings per share of 2,320 tenge (US$2.59 per GDR), a decrease of 23% and 21%, respectively, compared to 2011.
- The average price of Brent in 2012 was US$112 per barrel, almost same as in 2011.

Production Highlights

In 2012 KMG EP produced 12,191 thousand tonnes of crude oil (247 kbopd), including the Company's stakes in Kazgermunai (KGM), CCEL (Karazhanbasmunai, CCEL) and PetroKazakhstan Inc. (PKI) which is 1% less than in 2011.

JSC Uzenmunaigas (UMG) produced 4,950 thousand tonnes (100 kbopd), which is 132 thousand tonnes less than in 2011. JSC Embamunaigas (EMG) produced 2,816 thousand tonnes (57 kbopd), which is similar to the volume produced in 2011. The total volume of oil produced at UMG and EMG is 7,766 thousand tonnes (156 kbopd).

The Company's share in the production from KGM, CCEL and PKI for 2012 amounted to 4,425 thousand tonnes of crude oil (91 kbopd), approximately equivalent to 2011.

Crude oil sales

In 2012 the Company's export and domestic sales from UMG and EMG were 6,078 thousand tonnes (122 kbopd) and 1,637 thousand tonnes (33 kbopd) respectively.

The Company's share of sales from KGM, CCEL and PKI was 4,412 thousand tonnes of crude oil (90 kbopd), including 3,430 thousand tonnes (70 kbopd) or 78% of total sales supplied to export markets.

Net Profit for the Period

Profit after tax (net income) in 2012 was 161bn tenge (US$1,079m), representing a 23% decrease compared to 2011, mainly due to impairment of assets, higher income taxes, higher employee costs and lower share of income from associates and joint ventures, partially offset by the benefits of higher export volumes and higher prices for domestic supply.

[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 2012 and 2011 were 149.11 and 146.62 Tenge/US$, respectively; period-end rates at December 31, 2012 and December 31, 2011 were 150.74 and 148.40 Tenge/US$, respectively).

Revenues

The Company's revenues in 2012 amounted to 797bn tenge (US$5,346m), which is 11% higher than in 2011. This resulted from a 6% increase in export volumes and a 39% increase in domestic selling prices, compared to 2011.

Taxes other than on Income

Taxes, other than on income, in 2012 were 274bn tenge (US$1,839m), which is 3% lower compared to 2011, mainly due to non-repeated expense of 15bn tenge (US$105m) for export duty charge in 2011 and lower expenses from mineral extraction tax. This was almost fully offset by increased rent tax costs, which resulted from higher export volumes.

Production Expenses

Production expenses in 2012 were 140bn tenge (US$941m), which is 19% higher than in 2011. A significant part of the production cost increase is due to higher expenses for employee costs, energy charges and a change in crude oil balance. These were partially offset by a reduction in repair and maintenance expenses due to a decrease in the number of repaired wells and of hydrofracturing in line with the production programme, as well as adverse weather conditions at the beginning of the year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses in 2012 were 93bn tenge (US$624m), which is 6% lower than in 2011. The decrease is mainly due to lower expenses for penalties and fines and lower management fees to National Company Kazmunaigas from 8.3bn tenge (US$57m) to 4.0bn tenge (US$27m), partially offset by higher transportation expenses as a result of higher export volumes.

Expenses of two new service company established in beginning of 2012

Operating expenses of two new transportation and drilling companies were 10.9bn tenge (US$73m) in 2012. Part of payments for employees not involved in the core business of these two companies amounting to 2.6bn tenge (US$17m) were classified as selling, general and administrative expenses. The remaining expenses were classified as production expenses.

Capital expenditures of these two companies amounted to 14.2bn tenge (US$95m) in 2012.

Fines and penalties

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, which commenced in October 2011, the tax authorities estimated additional taxes for the Company of 16.9bn tenge, including 5.8bn tenge of tax, 7.2bn tenge of administrative fines and 4.0bn tenge of late payment interest. The Company is currently appealing to the Tax Committee of the Ministry of Finance. (For more details, please see note 26 in consolidated financial statements).

Cash Flows from Operating Activities

Operating cash flow in 2012 was 155bn tenge (US$1,039m), which is 4% higher than in 2011. Higher revenues were almost fully offset by increased income tax expenses and changes in working capital.

Capex

Purchases of property, plant and equipment and intangible assets (as per Cash Flow Statement) in 2012 were 108bn tenge (US$725m), which is 3% higher than in 2011. Of this amount, 8.3bn tenge (US$56m) was spent on exploration drilling.

Cash distribution to stockholders

On 30 May, 2012 KMG EP declared 91bn tenge (US$615m) as dividends for the year 2011. The approved dividend was the highest since IPO in 2006.

In 2012, the Company spent around 36bn tenge (US$242m) on the buy back of 15,630 common shares and 13,106,856 global depositary receipts.

Cash and Debt

Cash and cash equivalents as at December 31, 2012 amounted to 155bn tenge (US$1.0bn) compared to 207bn tenge (US$1.4bn) as at December 31, 2011.

Other financial assets (current and non-current) at December 31, 2012 were 552bn tenge (US$3.7bn) compared to 511bn tenge (US$3.4bn) as at December 31, 2011. Other financial assets include the NC KMG Bond, deposits and additional financial instruments. As at December 31, 2012 the outstanding amount of the Bond was 134bn tenge (US$891m).

78% of cash and financial assets (including the Bond) as at December 31, 2012 was denominated in foreign currencies and 22% was denominated in tenge. Financial income accrued on cash and financial assets (including the Bond) in 2012 was 34.5bn tenge (US$232m).

Borrowings as at December 31, 2012 were 7.3bn tenge (US$48m), compared to 88bn tenge (US$593m) as at December 31, 2011. In the third quarter of 2012, the Company fully repaid its non-recourse debt to KMG PKI Finance B.V. related to the acquisition of the 33% interest in PKI in December of 2009.

The net cash position[2] as at 31 December 2012 was 699bn tenge (US$4.6bn) compared to 629bn tenge (US$4.2bn) as at 31 December 2011.

Income from associates and joint ventures

In 2012, KMG EP's share in income from associates and joint ventures was 67bn tenge (US$452m), 20% lower compared to 2011. This was mainly driven by redistribution of selling volumes from export to domestic and higher income tax expenses.

Kazgermunai

In 2012 KMG EP recognised 33bn tenge (US$224m) of income from its share in Kazgermunai (KGM). KGM's net income decreased by 3% in 2012 compared to 2011, mainly due to redistribution of selling volumes from export to domestic and higher income tax expenses.

PetroKazakhstan Inc.

In 2012 KMG EP recognised 34bn tenge (US$226m) of income from its share in PetroKazakhstan Inc. (PKI). PKI's net income decreased by 25% in 2012 compared to 2011. This was mainly due to

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

the decrease in the volume of oil purchased from third parties in order to fulfill obligations to supply to domestic market (replacement agreement) from 1,301 thousand tonnes in 2011 to 211 thousand tonnes in 2012 which led to a decline in export volumes and higher income tax expenses.

CCEL

As of December 31, 2012 the Company has recognised 18,2bn tenge (US$121m) as a receivable from CCEL, a jointly controlled entity with CITIC Group. The Company has accrued 2.7bn tenge (US$18m) of interest income in 2012 related to the US$26.87m annual priority return from CCEL. The remaining US$8.6m were considered as a reduction of accounts receivable from CCEL.

Impairment of assets

As a result of level of production being materially lower than planned in the last two years and the increasing levels of operational and capital expenditure management of the Company has carried out an assessment of the recoverable amount of JSC "OzenMunaiGas". The result of this assessment indicated that the carrying value of JSC "OzenMunaigas" assets exceeded the estimated recoverable amount by 75 billion Tenge (around US$500m) resulting in an impairment charge during 2012 (please see notes 6 and 20 of consolidated financial statements).

Management believes that this impairment charge on JSC "OzenMunaiGas" assets could be reversed in future periods if actual production over the next years exceeds expectations used in this impairment assessment.

New appointment

In February 2013, Bakhyt Imanbayev was appointed as a Deputy General Director for Production and elected as a member of the Management Board for the term of Board competence.

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

APPENDIX
Consolidated Statement of Comprehensive Income

Tenge million

	For the year ended December 31,	
	2012	**2011**
Revenue	797,170	721,194
Share of results of associate and joint ventures	67,442	84,276
Finance income	34,528	28,843
Total revenue and other income	**899,140**	**834,313**
Production expenses	(140,362)	(117,465)
Selling, general and administrative expenses	(93,088)	(98,520)
Exploration expenses	(6,104)	(5,985)
Depreciation, depletion and amortization	(53,747)	(45,494)
Taxes other than on income	(274,171)	(284,028)
Impairment of property, plant and equipment	(77,012)	(1,653)
Loss on disposal of fixed assets	(3,189)	(4,044)
Finance costs	(7,231)	(7,223)
Foreign exchange gain	9,513	2,691
Profit before tax	**253,749**	**272,592**
Income tax expense	(92,926)	(63,661)
Profit for the year	**160,823**	**208,931**
Exchange difference on translating foreign operations	3,655	1,978
Other comprehensive income for the year, net of tax	**3,655**	**1,978**
Total comprehensive income for the year, net of tax	**164,478**	**210,909**
EARNINGS PER SHARE – Tenge thousands		
Basic and diluted	2.32	2.95

Condensed Consolidated Interim Statement of Financial Position

Tenge million

	As at December 31,	
	2012	**2011**
ASSETS		
Non-current assets		
Property, plant and equipment	325,520	338,860
Intangible assets	19,584	26,638
Investments in joint ventures	89,252	116,526
Investments in associate	118,959	133,228
Receivable from a jointly controlled entity	14,326	18,138
Loans receivable from joint ventures	13,150	8,494
Other financial assets	1,085	188,803
Deferred tax asset	31,968	9,450
Other assets	17,200	19,593
Total non-current assets	**631,044**	**859,730**
Current assets		
Inventories	25,058	22,651
Income taxes prepaid	17,806	9,971
Taxes prepaid and VAT recoverable	56,257	22,738
Mineral extraction tax prepaid	8,073	–
Prepaid expenses	15,539	12,054
Trade and other receivables	101,168	84,126
Receivable from a jointly controlled entity	3,895	1,361
Other financial assets	550,556	321,890
Cash and cash equivalents	154,705	206,512
Total current assets	**933,057**	**681,303**
Total assets	**1,564,101**	**1,541,033**
EQUITY		
Share capital	162,952	198,452
Other capital reserves	2,474	2,124
Retained earnings	1,154,335	1,083,749
Other components of equity	18,009	14,354
Total equity	**1,337,770**	**1,298,679**
LIABILITIES		
Non-current liabilities		
Borrowings	4,848	33,034
Deferred tax liability	–	2,049
Provisions	36,927	37,846
Total non-current liabilities	**41,775**	**72,929**
Current liabilities		
Borrowings	2,462	54,931
Income taxes payable	32,103	–
Mineral extraction tax and rent tax payable	50,417	50,908
Trade and other payables	82,255	48,680
Provisions	17,319	14,906
Total current liabilities	**184,556**	**169,425**
Total liabilities	**226,331**	**242,354**
Total liabilities and equity	**1,564,101**	**1,541,033**

Consolidated Statement of Cash Flows

Tenge million

	For the year ended December 31,	
	2012	**2011**
Cash flows from operating activities		
Profit before tax	253,749	272,592
Adjustments to add / (deduct) non-cash items		
Depreciation, depletion and amortization	53,747	45,494
Share of result of associates and joint ventures	(67,442)	(84,276)
Loss on disposal of property, plant and equipment (PPE)	3,189	4,044
Impairment of PPE and intangible assets	77,012	2,439
Dry well expense on exploration and evaluation assets	4,321	2,586
Recognition of share-based payments	354	408
Forfeiture of share-based payments	(4)	(24)
Unrealised foreign exchange gain on non-operating activities	(6,835)	(2,306)
Other non-cash income and expense	420	4,591
Add finance costs	7,231	7,223
Deduct finance income	(34,528)	(28,843)
Working capital adjustments		
Change in other assets	101	(817)
Change in inventories	(2,267)	(4,822)
Change in taxes prepaid and VAT recoverable	(33,519)	(2,105)
Change in prepaid expenses	(3,577)	15,839
Change in trade and other receivables	(16,599)	(18,487)
Change in trade and other payables	13,925	(3,600)
Change in mineral extraction and rent tax payable	(8,564)	4,854
Change in provisions	10,663	7,621
Income tax paid	(96,498)	(74,201)
Net cash generated from operating activities	**154,879**	**148,210**
Cash flows from investing activities		
Purchases of PPE	(99,240)	(92,760)
Proceeds from sale of PPE	1,054	753
Purchases of intangible assets	(8,874)	(12,218)
Acquisition of share in a joint venture	–	(23,907)
Loans provided to the joint ventures	(5,081)	(1,923)
Dividends received from joint ventures and associate, net of withholding tax	114,207	89,795
Interest received from investment in Debt Instruments of NC KMG	11,280	13,006
(Purchase) / sale of financial assets held to maturity	(85,257)	56,836
Proceeds from sale of other financial assets	5,546	–
Repayments of loans receivable from related parties	7,657	3,940
Proceeds from disposal / (acquisition) of subsidiary, net of cash acquired	3,601	(8,799)
Interest received	2,976	9,603
Net cash (used in) / generated from investing activities	**(52,131)**	**34,326**
Cash flows from financing activities		
Share buy back	(36,203)	(15,763)
Repayment of borrowings	(81,406)	(35,219)
Dividends paid to Company's shareholders	(33,971)	(19,287)
Interest paid	(2,975)	(4,665)
Net cash used in financing activities	**(154,555)**	**(74,934)**
Net change in cash and cash equivalents	(51,807)	107,602
Cash and cash equivalents at the beginning of the year	206,512	98,520
Exchange gain on cash and cash equivalents	–	390
Cash and cash equivalents at the end of the year	**154,705**	**206,512**

The following tables show the Company's realised sales prices adjusted for oil and oil products transportation and other expenses for the year ended December 31, 2012 and 2011.

2012 (US$/bbl)	**UAS**	**CPC**	**Domestic**
Benchmark end-market quote[3]	111,70	111,70	-
Sales price	108,80	109,83	34,50
Quality bank	-	(7,41)	-
Premium of bbl difference	0,14	8,76	-
Realised price[4]	**108,94**	**111,18**	**34,50**
Rent tax	(23,79)	(23,23)	-
Export customs duty	(5,62)	(4,91)	-
Transportation	(7,91)	(6,96)	(1,00)
Sales commissions	(0,02)	(0,02)	-
Adjusted realised price	**71,60**	**76,06**	**33,50**

2011 (US$/bbl)	**UAS**	**CPC**	**Domestic**
Benchmark end-market quote[5]	111,26	111,26	-
Sales price	106,06	109,98	26,28
Quality bank	-	-8,88	-
Premium of bbl difference	-0,08	9,32	-
Realised price[6]	**105,98**	**110,42**	**26,28**
Rental tax	-23,73	-24,07	-
Export customs duty	-4,98	-5,13	-
Transportation	-7,76	-6,97	- 1,38
Sales commissions	-0,07	-0,07	-
Adjusted realised price	**69,44**	**74,18**	**24,90**

Reference information	**2012**	**2011**
Average exchange US$/KZT rate	149,11	146,62
End of period US$/KZT rate	150,74	148,40
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] The Brent (DTD) quoted price is used as benchmark
[4] 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. Overall production in 2012 was 12.2mt (an average of 247 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 its GDRs are listed on The London Stock Exchange. The Company raised over US$2bn in its IPO in September 2006. International rating agency Standard & Poor's (S&P) confirmed KMG EP's "BBB-" corporate credit rating in December 2011.

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Forward-looking statements

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