PRESS - RELEASE

JSC KazMunaiGas Exploration Production
1H 2013 financial results

Astana, 14 August 2013. JSC KazMunaiGas Exploration Production ("KMG EP" or "the Company") announces its condensed consolidated interim financial statements for the six months ended June 30, 2013.

- Revenues decreased by 4% to 384bn Tenge (US$2,544m)[1] compared to the same period of 2012, largely due to a drop of oil price and lower export volumes, which was partially offset by higher domestic price and volumes. The average price of Brent in the first six months of 2013 was 5% lower than in the same period of 2012, down from US$114 per barrel to US$108 per barrel.
- Net profit amounted to 38.8bn Tenge (US$257m), which is 68% lower than in the same period of last year, largely due to an impairment charge posted in 1Q2013. Earnings per share stood at 570 Tenge (US$0.63 per GDR). Net profit in 2Q2013 was 39.5bn Tenge (US$262m) compared to a net loss of 0.7bn Tenge (US$4m) in 1Q2013.
- Production expenses amounted to 82bn Tenge (US$546m), which is 17% higher compared to the same period of 2012. A significant part of the production cost increase is due to increased expenses for employee benefits, energy and repairs and maintenance.

Production Highlights

In the first six months of 2013 KMG EP produced 6,093 thousand tonnes of crude oil (249kbopd), including the Company's stakes in Kazgermunai (KGM), CCEL and PetroKazakhstan Inc. (PKI) which is 1% more than in the same period of 2012.

Ozenmunaigas JSC (OMG) produced 2,539 thousand tonnes (103kbopd), 3% more than in the same period of 2012. Embamunaigas JSC (EMG) produced 1,401 thousand tonnes (57kbopd), which is 2% more than in the same period of 2012. The total volume of oil produced at OMG and EMG in the first six months of 2013 is 3,940 thousand tonnes (160kbopd), which is 3% more than in the same period of 2012, in accordance with the production plan.

The Company's share in the production from KGM, CCEL and PKI for the six months of 2013 amounted to 2,153 thousand tonnes of crude oil (89kbopd), which is 3% less than in the same period of 2012, mainly due to a decline of PKI production by 6% as a result of natural decline of production.

Crude oil sales

In the first six months of 2013 the Company's export and domestic sales from OMG and EMG were 2,858 thousand tonnes (114kbopd) and 1,096 thousand tonnes (44kbopd), respectively.

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[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 1H13 and 1H12 was 150.90 and 148.16 Tenge/US$, respectively; period-end rates at June 30, 2013 and December 31, 2012 was 151.65 and 150.74 Tenge/US$, respectively).

The Company's share in the sales from KGM, CCEL and PKI was 2,197 thousand tonnes of crude oil (91kbopd), including 1,900 thousand tonnes (79kbopd) or 86% supplied to export markets.

Net Profit for the Period

Net profit in the first six months of 2013 amounted to 38.8bn Tenge (US$257m), 68% less than in the corresponding period of last year, largely due to an impairment charge posted in 1Q2013, as well as a decline of oil price on global markets, lower sales volumes to export markets, a decline in income of JVs and associates and higher production costs.

Revenues

The Company's revenues in the first six months of 2013 decreased by 4% compared to the same period of 2012, and amounted to 384bn Tenge (US$2,544m). The decline in revenues is largely due to a 5% drop of oil price on international markets and lower oil sales volumes to export markets (72% in 6M13 vs. 76% in 6M12), which was partially offset by higher domestic price and volumes.

Taxes other than on Income

Taxes, other than on income, in the first six months of 2013 amounted to 143bn Tenge (US$949m), which is 1% lower compared to the same period of 2012, largely due to lower oil price and sales volumes to export markets, but partially offset by 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 six months of 2013 amounted to 82bn Tenge (US$546m), which is 17% higher compared to the same period of 2012 mainly due to an increase in employee benefits, energy and repairs and maintenance.

Employee benefits expenses in the first six 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 reclassification of expenses of two new servicing companies from production to administrative expenses in the first half of 2012.

Energy expenses increased by 34% compared to the first half of 2012 mainly due to the increase in electricity tariffs and increase of electricity consumption. Repairs and maintenance expenses increased by 59% mainly due to the increased number of well repair operations performed by third-party service companies.

Selling, General and Administrative Expenses

Selling, general and administrative expenses in the first six months of 2013 amounted to 46bn Tenge (US$306m), which is 2% higher compared to the same period of 2012, mainly due to higher transportation expenses and partially offset by a decline in employee benefits expenses due to the abovementioned reclassification of expenses from production to SG&A expenses in the first half of 2012.

Exploration Expenses

Exploration expenses amounted to 6.9bn Tenge (US$46m) in the first six months of 2013 compared to 4.3bn Tenge (US$29m) in the same period of 2012. The Company recognized dry well expenses in the amount of 6.1bn Tenge (US$40m) in 1Q2013 related to the exploratory well drilled on the White Bear prospect in the North Sea.

Impairment of assets

Management of the Company has updated the formal assessment of the recoverable amount of JSC "Ozenmunaigas", and made an additional impairment charge of 56bn Tenge (about US$370m) in the first three months of 2013. The additional 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, 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 see note 19 of consolidated financial statements).

Mineral Extraction Tax

On July 2, 2013 the Tax Committee of Yessil district of Astana provided a notification to the Company of 8.8bn Tenge for discrepancies identified between data reported in the Company's Mineral Extraction Tax (MET) returns and data supplied by the Ministry of Oil and Gas of Republic of Kazakhstan for the period from 2009 to 2012. These discrepancies were caused by the fact that 2012 MET tax returns included amounts for the period when subsoil use contracts belonged to the Company (when the Company carried out its activities on the license area through its production branches), whereas the information provided by the Ministry of Oil and Gas of the Republic of Kazakhstan included production volumes of the Company and its subsidiaries JSC "Ozenmunaigas" and JSC "Embamunaigas" combined.

According to the tax authorities, the Company should have included in calculations of the MET rate for 2012 production volumes of JSC "Ozenmunaigas" and JSC "Embamunaigas" as well, even though a transfer of subsoil use contracts took place during 2012. However, based on norms stipulated in the Kazakh tax legislation the Company believes that the Company's obligation to pay MET should be calculated based upon only the period when it owned subsoil use contracts itself.

The Company disagrees with the above notification and plans to appeal it with respective government authorities. As 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 June 30, 2013.

Ozenmunaigas Environmental Audit

On January 25, 2013 JSC "Ozenmunaigas", the Company's subsidiary, received a notification from the Department of Ecology of Mangystau Region to pay the state budget 59.3bn Tenge in fines for environmental damage. The total amount was determined as a result of 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 forced 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. The Court rejected the claim of the Department of Ecology of Mangystau Region for the forced payment of the fines. On June 6, 2013 the Department of Ecology of Mangystau Region filed an appeal to the Judicial Panel of Appeals on Civil and Administrative Cases of Mangystau Regional Court. This appeal was rejected by the Judicial Panel of Appeals on July 9, 2013. The Company expects that the Department of Ecology of Mangystau Region will file further appeals to courts of higher authority.

The Company believes that it will continue to successfully appeal the results of the inspection and the request for payment for damages to the environment, and therefore no provision has been accrued for this matter as at June 30, 2013. (For more details see note 19 of consolidated financial statements).

Cash Flows from Operating Activities

Operating cash flow in the first six months of 2013 was 33bn Tenge (US$216m), which is 64% lower compared to the same period of 2012, mainly due to lower revenue, higher production expenses, higher income tax paid and change in working capital.

Capex

Purchases of property, plant and equipment and intangible assets (as per Cash Flow Statement) in the first six months of 2013 were 59bn Tenge (US$392m), which is 29% higher compared to the same period of 2012 mainly due to increase in number of wells drilled and construction of objects of the modernization programme.

Cash and Debt

Cash and cash equivalents as at 30 June 2013 amounted to 278bn Tenge (US$1.8bn) compared to 155bn Tenge (US$1.0bn) as at 31 December 2012.

Other financial assets (current and non-current) at 30 June 2013 were 427bn Tenge (US$2.8bn) 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.

72% of cash and financial assets as at 30 June 2013 were denominated in foreign currencies and 28% were denominated in Tenge. Finance income accrued on cash and financial assets in the first six months of 2013 were 11.5bn Tenge (US$77m).

Borrowings as at 30 June 2013 were 7.0bn Tenge (US$46m) compared to 7.3bn Tenge (USD$48m) as at 31 December 2012.

The net cash position[2] as at 30 June 2013 amounted to 697bn Tenge (US$4.6bn) compared to 699bn Tenge (US$4.6bn) as at 31 December 2012.

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

Income from associates and joint ventures

In the first six months of 2013 KMG EP's share of results of associates and joint ventures was 29bn Tenge (US$193m) compared to 41bn Tenge (US$276m) in the same period of 2012. The financial results of associates and joint ventures in the first six months of 2013 were primarily affected by the lower oil price on international markets compared to the same period of 2012, lower sales volumes and increased operating expenses.

Kazgermunai

In the first six months of 2013 KMG EP recognised 14bn Tenge (US$96m) of income from its share in KGM. This amount represents 50% of KGM's net profit of 21bn Tenge (US$142m) less 7bn Tenge (US$46m) adjustments from the effect of purchase price premium amortization.

KGM's net profit decreased by 12% compared to the same period of 2012 mainly due to lower oil price, higher taxes related to higher export sales and an increase in export customs duty rate. Also, there was an increase in MET rate from 10% to 11% based on expected production.

PetroKazakhstan Inc.

In the first six months of 2013 KMG EP recognised 14bn Tenge (US$93m) of income from its share in PKI. This amount represents 33% of PKI's net profit of 16bn Tenge (US$109m) net of 2bn Tenge (US$16m) from the effect of purchase price premium amortization.

PKI's net profit decreased by 39% compared to the same period of 2012 mainly due to lower sales of refined products. Starting from April 2012 PKI is not engaged in processing and sale of oil products. The decline in net income is also a result of lower oil price, higher taxes related to higher export sales and an increase in export customs duty.

CCEL

As of 30 June 2013 the Company has 19.6bn Tenge (US$128m) as a receivable from CCEL, a jointly controlled entity with CITIC Group. The Company has accrued 1.3bn Tenge (US$8.7m) of interest income in the first six months of 2013 related to the US$26.87m annual priority return from CCEL.

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The condensed consolidated interim financial statements for the six months ended June 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 June 30,		Six months ended June 30,	
	2013	**2012**	**2013**	**2012**
Revenue	181,652	191,690	383,837	398,543
Share of results of associate and joint ventures	8,448	15,158	29,148	40,905
Finance income	5,734	11,344	11,547	16,906
Total revenue and other income	**195,834**	**218,192**	**424,532**	**456,354**
Production expenses	(39,527)	(38,930)	(82,328)	(70,297)
Selling, general and administrative expenses	(24,069)	(25,714)	(46,127)	(45,382)
Exploration expenses	(292)	(3,028)	(6,912)	(4,326)
Depreciation, depletion and amortization	(9,597)	(13,022)	(21,997)	(25,592)
Taxes other than on income	(66,905)	(69,091)	(143,144)	(144,272)
Impairment of property, plant and equipment	(1,328)	(476)	(58,492)	(532)
Loss on disposal of fixed assets	(1,260)	(248)	(1,916)	(400)
Finance costs	(2,158)	(1,470)	(4,112)	(2,973)
Foreign exchange gain, net	3,264	6,774	4,140	4,256
Profit before tax	**53,962**	**72,987**	**63,644**	**166,836**
Income tax expense	(14,499)	(26,740)	(24,841)	(45,371)
Profit for the period	**39,463**	**46,247**	**38,803**	**121,465**
Exchange difference on translating foreign operations	1,495	2,089	1,655	1,504
Other comprehensive income for the period to be reclassified to profit and loss in subsequent periods	**1,495**	**2,089**	**1,655**	**1,504**
Total comprehensive income for the period, net of tax	**40,958**	**48,336**	**40,458**	**122,969**
Basic and diluted	0.58	0.67	0.57	1.74

Consolidated Interim Statement of Financial Position

Tenge million

	June 30, 2013	December 31, 2012
	Unaudited	**Audited**
ASSETS		
Non-current assets		
Property, plant and equipment	290,401	325,520
Intangible assets	12,899	19,584
Investments in joint ventures	97,479	89,252
Investments in associate	121,424	118,959
Receivable from a jointly controlled entity	15,714	14,326
Loans receivable from joint ventures	17,091	13,150
Other financial assets	13,950	1,085
Deferred tax asset	37,053	31,968
Other assets	15,503	17,200
Total non-current assets	**621,514**	**631,044**
Current assets		
Inventories	20,878	25,058
Income taxes prepaid	45,716	17,806
Taxes prepaid and VAT recoverable	61,081	56,257
Mineral extraction tax prepaid	–	8,073
Prepaid expenses	20,074	15,539
Trade and other receivables	104,679	101,168
Receivable from a jointly controlled entity	3,919	3,895
Other financial assets	412,668	550,556
Cash and cash equivalents	277,855	154,705
Total current assets	**946,870**	**933,057**
Total assets	**1,568,384**	**1,564,101**
EQUITY		
Share capital	162,962	162,952
Other capital reserves	2,478	2,474
Retained earnings	1,082,789	1,154,335
Other components of equity	19,664	18,009
Total equity	**1,267,893**	**1,337,770**
LIABILITIES		
Non-current liabilities		
Borrowings	4,557	4,848
Deferred tax liability	490	–
Provisions	39,210	36,927
Total non-current liabilities	**44,257**	**41,775**
Current liabilities		
Borrowings	2,479	2,462
Income taxes payable	14,179	32,103
Mineral extraction tax and rent tax payable	51,497	50,417
Trade and other payables	168,368	82,255
Provisions	19,711	17,319
Total current liabilities	**256,234**	**184,556**
Total liabilities	**300,491**	**226,331**
Total liabilities and equity	**1,568,384**	**1,564,101**

Consolidated Interim Statement of Cash Flows (unaudited)

Tenge million

	Six months ended June 30,	
	2013	**2012**
Cash flows from operating activities		
Profit before tax	63,644	166,836
Adjustments to add / (deduct) non-cash items		
Depreciation, depletion and amortisation	21,997	25,592
Share of result of associate and joint ventures	(29,148)	(40,905)
Loss on disposal of property, plant and equipment (PPE)	1,916	400
Impairment of PPE and intangible assets	58,502	569
Dry well expense on exploration and evaluation assets	6,471	3,281
Recognition of share-based payments	140	177
Forfeiture of share-based payments	(136)	–
Unrealised foreign exchange gain on non-operating activities	(2,615)	(4,129)
Other non-cash income and expense	892	1,471
Add finance costs	4,112	2,973
Deduct finance income relating to investing activity	(11,547)	(16,906)
Working capital adjustments		
Change in other assets	245	346
Change in inventories	5,796	6,180
Change in taxes prepaid and VAT recoverable	(5,004)	(269)
Change in prepaid expenses	(4,536)	645
Change in trade and other receivables	(3,500)	(27,600)
Change in trade and other payables	(13,860)	4,492
Change in mineral extraction and rent tax payable	2,379	5,278
Change in provisions	1,810	6,092
Income tax paid	(65,032)	(43,799)
Net cash generated from operating activities	**32,526**	**90,724**
Cash flows from investing activities		
Purchases of PPE	(55,671)	(42,169)
Proceeds from sale of PPE	34	797
Purchases of intangible assets	(3,458)	(3,813)
Loans provided to the joint ventures	(5,190)	(637)
Dividends received from joint ventures and associate, net of withholding tax	19,450	43,635
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	(8,733)	(174,875)
Proceeds from sale of other financial assets	–	4,860
Interest received	4,622	1,522
Net cash generated from / (used in) investing activities	**91,031**	**(164,094)**
Cash flows from financing activities		
Share buy back	–	(17,945)
Repayment of borrowings	(537)	(831)
Dividends paid to Company’s shareholders	(7)	(659)
Net cash used in financing activities	**(544)**	**(19,435)**
Net change in cash and cash equivalents	123,013	(92,805)
Cash and cash equivalents at the beginning of the period	154,705	206,512
Exchange gain on cash and cash equivalents	137	110
Cash and cash equivalents at the end of the period	**277,855**	**113,817**

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, 2013.

1H13 (US$/bbl)	**UAS**	**CPC**	**Domestic**
Benchmark end-market quote[3]	107.5	107.5	-
Adjustments on bbl difference, quality bank	2.6	1.1	-
Realised price[4]	**104.9**	**106.4**	**37.1**
Rent tax	(23.5)	(26.1)	-
Export customs duty	(6.4)	(6.4)	-
Transportation	(8.9)	(8.3)	(1.9)
Sales commissions	-	-	-
Adjusted realised price	**66.1**	**65.6**	**35.2**

1H12 (US$/bbl)	**UAS**	**CPC**	**Domestic**
Benchmark end-market quote[3]	113.6	113.6	-
Adjustments on bbl difference, quality bank	4.4	1.1	-
Realised price[4]	**109.2**	**112.5**	**34.8**
Rental tax	(24.4)	(26.6)	-
Export customs duty	(5.5)	(5.5)	-
Transportation	(7.7)	(7.7)	(1.1)
Sales commissions	-	-	-
Adjusted realised price	**71.6**	**72.7**	**33.7**

Reference information	**1H2013**	**1H2012**
Average exchange US$/KZT rate	150.90	148.16
End of period US$/KZT rate	151.65	149.42
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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