PRESS - RELEASE

JSC KazMunaiGas Exploration Production
1Q 2013 financial results

Astana, 15 May 2013. JSC KazMunaiGas Exploration Production ("KMG EP" or "the Company") announces its condensed consolidated interim financial statements for the three months ended March 31, 2013.

- Revenues decreased by 2% to 202bn Tenge (US$1,342m)[1] compared to the same period of 2012 mainly on lower oil prices partially offset by higher domestic prices. The average price of Brent in the first three months of 2013 was 5% lower than in the same period of 2012, down from US$119 per barrel to US$113 per barrel.
- Net loss amounted to 0.7bn Tenge (US$4m) and loss per share – 10 Tenge (US$0.01 per GDR) mainly due to additional impairment charge.
- Production expenses amounted to 43bn Tenge (US$284m), which is 36% 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 three months of 2013 KMG EP produced 3,002 thousand tonnes of crude oil (247 kbopd), including the Company's stakes in Kazgermunai (KGM), CCEL and PetroKazakhstan Inc. (PKI) which is 1% less than in the same period of 2012.

Uzenmunaigas JSC (UMG) produced 1,237 thousand tonnes (101 kbopd), about the same as in the first quarter of 2012. Embamunaigas JSC (EMG) produced 691 thousand tonnes (56 kbopd), which is 16 thousand tonnes or 2% more than in the same period of 2012. The total volume of oil produced at UMG and EMG in the first three months of 2013 is 1,927 thousand tonnes (158 kbopd), which is 1% more than in the same period of 2012 and in accordance with production plan.

The Company's share in the production from KGM, CCEL and PKI for the three months of 2013 amounted to 1,074 thousand tonnes of crude oil (89 kbopd) which is 44 thousand tonnes or 4% less than in the same period of 2012 and in accordance with production plans for these companies.

Crude oil sales

In the first three months of 2013 the Company's export and domestic sales from the UMG and EMG were 1,490 thousand tonnes (122 kbopd) and 505 thousand tonnes (41 kbopd) respectively.

The Company's share in the sales from KGM, CCEL and PKI was 1,088 thousand tonnes of crude oil (90 kbopd), including 966 thousand tonnes (80 kbopd) or 89% supplied to export markets.

[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 1Q13 and 1Q12 was 150.67 and 148.13 Tenge/US$, respectively; period-end rates at March 31, 2013 and December 31, 2012 was 150.84 and 150.74 Tenge/US$, respectively).

Net Profit (Loss) for the Period

Net loss in the first three months of 2013 was 0.7bn Tenge (US$4m), mainly due to additional impairment charge as well as lower revenues, lower income from associates and joint ventures and higher production expenses.

Revenues

The Company's revenues in the first three months of 2013 decreased by 2% compared to the same period of 2012, and amounted to 202bn Tenge (US$1,342m). This was mainly due to a 5% lower oil price, which was partially offset by higher domestic price and supply volume. The volume of export sales was about the same as in the first quarter of 2012.

Taxes other than on Income

Taxes, other than on income, in the first three months of 2013 were 76bn Tenge (US$506m), which is 1% higher compared to the same period of 2012. The growth is primarily due to 4.4bn Tenge (US$29m) increase in environmental tax as a result of the tax audit for 2010-2011 (the main issue being an excess placement of waste), which was partially offset by decrease in mineral extraction tax and rent tax due to lower oil prices.

Production Expenses

Production expenses in the first three months of 2013 were 43bn Tenge (US$284m), which is 36% higher compared to the same period of 2012 mainly due to increased expenses for employee benefits, energy and repairs and maintenance.

Employee benefits expenses in the first three months of 2013 increased by 22% 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 companies (UBR and UTTiOS) from administrative to production expenses.

Energy expenses increased by 46% compared to the first quarter of 2012 mainly due to the increase in tariffs for electricity consumption and transportation. Repairs and maintenance expenses increased by 61% mainly due to the increased number of well repair operations from 154 to 268 compared to the first quarter of 2012 in accordance with the production programme.

Selling, General and Administrative Expenses

Selling, general and administrative expenses in the first three months of 2013 were 22bn Tenge (US$146m), which is 12% higher compared to the same period of 2012, mainly due to increase in transportation expenses, fines and penalties, partially offset by decreased expenses on employee benefits due above mentioned reclassification of the expenses from SG&A to production expenses.

The increase in transportation expenses is due to increase of Kaztransoil transportation tariffs in December 2012 by approximately 40%. The increase in fines and penalties is due to the fine accrued for environmental tax in the amount of 1.3 billion Tenge (US$9m) as a result of the tax audit for 2010-2011.

Exploration Expenses

Exploration expenses amounted to 6.6bn Tenge (US$44m) in the first three months of 2013 compared to 1.3bn Tenge (US$9m) in the same period of 2012. The Company recognized dry well expenses in the amount of 6.1bn Tenge (US$41m) related to the exploratory well drilled on the White Bear prospect in North Sea.

Additional Impairment Charge

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$370) 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.

Taxation

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 19 of consolidated financial statements).

Ozenmunaigas Environmental Audit

On January 25, 2013 JSC "Ozenmunaigas" received a notification from the Department of Ecology of Mangistau Region to pay the state budget 59.6bn Tenge in fines for environmental damage. The total amount was determined as a result of an inspection that covered the period from 27 August 2011 to 12 November 2012.

JSC "Ozenmunaigas" disagreed with this notification and filed an appeal to the Specialized Interregional Economic Court of Mangistau Region stating that the act was illegal and that calculations were not reliable. The Company believes that it can 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 March 31, 2013.

Cash Flows from Operating Activities

Operating cash flow in the first three months of 2013 was 30bn Tenge (US$200m), which is 55% 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 three months of 2013 were 37bn Tenge (US$245m), which is 202% higher compared to the same period of 2012.

Cash distribution to stockholders

On 18 April, 2013 The Board of Directors of KMG EP has recommended a dividend with regards to 2012 earnings per ordinary and preferred share of KMG EP of 1,619 Tenge (including taxes withheld in accordance with the legislation of Kazakhstan) which is equivalent to about 110 billion tenge[2] (approx. US$740 million). This will be voted upon at the AGM.

Cash and Debt

Cash and cash equivalents as at 31 March 2013 amounted to 174bn Tenge (US$1.2bn) compared to 155bn Tenge (US$1.0bn) as at 31 December 2012.

Other financial assets (current and non-current) at 31 March 2013 were 528bn Tenge (US$3.5bn) compared to 552bn Tenge (US$3.7bn) as at 31 December 2012. Other financial assets include the NC KMG Bond and deposits. As at 31 March 2013 the outstanding amount of the Bond was 137bn Tenge (US$0.9bn).

81% of cash and financial assets (including the Bond) as at 31 March 2013 were denominated in foreign currencies and 19% were denominated in Tenge. Finance income accrued on cash and financial assets (including the Bond) in the first three months of 2013 was 5.8bn Tenge (US$39m).

Borrowings as at 31 March 2013 were 7.2bn Tenge (US$47m), compared to 7.3bn Tenge (USD$48m) as at 31 December 2012.

The net cash position[3] at 31 March 2013 amounted to 694bn Tenge (US$4.6bn) compared to 699bn Tenge (US$4.6bn) as at 31 December 2012.

Income from associates and joint ventures

In the first three months of 2013 KMG EP's share of results of associates and joint ventures was 21bn Tenge (US$137m) compared to 26bn Tenge (US$174m) in the same period of 2012. The financial results of associates and joint ventures in the first three months of 2013 were primarily driven by the lower oil price compared to the same period of 2012, lower sales volumes and increased operating expenses.

Kazgermunai

In the first three months of 2013 KMG EP recognised 10bn Tenge (US$69m) of income from its share in KGM. KGM's net income decreased by 6% compared to the same period of 2012 mainly due to lower oil price and increased operating expenses.

PetroKazakhstan Inc.

In the first three months of 2013 KMG EP recognised 10bn Tenge (US$67m) of income from its share in PKI. PKI's net income decreased by 32% compared to the same period of 2012 mainly due to decline in production and sales volumes.

CCEL

As of 31 March 2013 the Company has recognised 18.9bn Tenge (US$125m) as a receivable from CCEL, a jointly controlled entity with CITIC Group. The Company has accrued 0.6bn Tenge (US$4.3m) of interest income in the first three months of 2013 related to the US$26.87m annual priority return from CCEL.

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[2] Calculated based on number of shares outstanding as at April 5, 2013.
[3] Cash, cash equivalents and other financial assets (including the Bond) less borrowings.

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The condensed consolidated interim financial statements for the three months ended March 31, 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 March 31,	
	2013	**2012**
Revenue	202,185	206,853
Share of results of associate and joint ventures	20,700	25,747
Finance income	5,813	5,562
Total revenue and other income	**228,698**	**238,162**
Production expenses	(42,801)	(31,367)
Selling, general and administrative expenses	(22,058)	(19,668)
Exploration expenses	(6,620)	(1,298)
Depreciation, depletion and amortization	(12,400)	(12,570)
Taxes other than on income	(76,239)	(75,181)
Impairment of property, plant and equipment	(57,164)	(56)
Loss on disposal of property, plant and equipment	(656)	(152)
Finance costs	(1,954)	(1,503)
Foreign exchange gain / (loss), net	876	(2,518)
Profit before tax	**9,682**	**93,849**
Income tax expense	(10,342)	(18,631)
(Loss) / profit for the period	**(660)**	**75,218**
Exchange difference on translating foreign operations	160	(585)
Other comprehensive income / (loss) for the period, net of tax	**160**	**(585)**
Total comprehensive (loss) / income for the period, net of tax	**(500)**	**74,633**
(LOSS) / EARNINGS PER SHARE – Tenge thousands		
Basic and diluted	(0.01)	1.07

Consolidated Interim Statement of Financial Position

Tenge million

	March 31, 2013	December 31, 2012
	Unaudited	**Audited**
ASSETS		
Non-current assets		
Property, plant and equipment	276,066	325,520
Intangible assets	12,542	19,584
Investments in joint ventures	100,241	89,252
Investments in associate	129,255	118,959
Receivable from a jointly controlled entity	14,972	14,326
Loans receivable from joint ventures	15,244	13,150
Other financial assets	3,062	1,085
Deferred tax asset	38,755	31,968
Other assets	19,966	17,200
Total non-current assets	**610,103**	**631,044**
Current assets		
Inventories	19,562	25,058
Income taxes prepaid	38,026	17,806
Taxes prepaid and VAT recoverable	60,056	56,257
Mineral extraction tax prepaid	8,429	8,073
Prepaid expenses	15,332	15,539
Trade and other receivables	115,427	101,168
Receivable from a jointly controlled entity	3,898	3,895
Other financial assets	524,460	550,556
Cash and cash equivalents	173,816	154,705
Total current assets	**959,006**	**933,057**
Total assets	**1,569,109**	**1,564,101**
EQUITY		
Share capital	162,960	162,952
Other capital reserves	2,520	2,474
Retained earnings	1,153,675	1,154,335
Other components of equity	18,169	18,009
Total equity	**1,337,324**	**1,337,770**
LIABILITIES		
Non-current liabilities		
Borrowings	4,692	4,848
Provisions	38,092	36,927
Total non-current liabilities	**42,784**	**41,775**
Current liabilities		
Borrowings	2,464	2,462
Income taxes payable	45,722	32,103
Mineral extraction tax and rent tax payable	60,936	50,417
Trade and other payables	56,540	82,255
Provisions	23,339	17,319
Total current liabilities	**189,001**	**184,556**
Total liabilities	**231,785**	**226,331**
Total liabilities and equity	**1,569,109**	**1,564,101**

Consolidated Interim Statement of Cash Flows (unaudited)

Tenge million

	Three months ended March 31,	
	2013	**2012**
Cash flows from operating activities		
Profit before tax	9,682	93,849
Adjustments to add / (deduct) non-cash items		
Depreciation, depletion and amortisation	12,400	12,570
Share of result of associate and joint ventures	(20,700)	(25,747)
Loss on disposal of property, plant and equipment (PPE)	656	152
Impairment of PPE and intangible assets	57,168	56
Dry well expense on exploration and evaluation assets	6,215	1,207
Recognition of share-based payments	54	89
Forfeiture of share-based payments	(8)	−
Unrealised foreign exchange (gain)/loss on non-operating activities	(285)	1,546
Other non-cash income and expense	840	688
Add finance costs	1,954	1,503
Deduct finance income relating to investing activity	(5,813)	(5,562)
Working capital adjustments		
Change in other assets	230	68
Change in inventories	7,089	2,320
Change in taxes prepaid and VAT recoverable	(3,799)	5,612
Change in prepaid expenses	205	(2,035)
Change in trade and other receivables	(14,250)	(16,241)
Change in trade and other payables	(14,540)	1,570
Change in mineral extraction and rent tax payable	10,163	9,536
Change in provisions	6,432	320
Income tax paid	(23,519)	(13,858)
Net cash generated from operating activities	**30,174**	**67,643**
Cash flows from investing activities		
Purchases of PPE	(34,279)	(11,995)
Proceeds from sale of PPE	10	699
Purchases of intangible assets	(2,634)	(215)
Loans provided to joint ventures	(2,711)	(341)
Sale / (purchase) of financial assets held to maturity	26,111	(42,624)
Interest received	2,692	1,284
Net cash used in investing activities	**(10,811)**	**(53,192)**
Cash flows from financing activities		
Share buy back	−	(6,604)
Repayment of borrowings	(267)	(529)
Dividends paid to Company's shareholders	(1)	(644)
Net cash used in financing activities	**(268)**	**(7,777)**
Net change in cash and cash equivalents	19,095	6,674
Cash and cash equivalents at beginning of the year	154,705	206,512
Exchange gain / (losses) on cash and cash equivalents	16	(154)
Cash and cash equivalents at the end of the period	**173,816**	**213,032**

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, 2013.

1Q13 (US$/bbl)	UAS	CPC	Domestic
Benchmark end-market quote[4]	112.57	112.57	-
Sales price	108.94	110.19	37.18
Quality bank	-	(7.74)	-
Premium of bbl difference	0.08	9.14	-
Realised price[5]	**109.02**	**111.59**	**37.18**
Rent tax	(24.77)	(24.77)	-
Export customs duty	(5.54)	(5.07)	-
Transportation	(8.97)	(7.56)	(1.80)
Sales commissions	-	-	-
Adjusted realised price	**69.74**	**74.19**	**35.38**

1Q12 (US$/bbl)	UAS	CPC	Domestic
Benchmark end-market quote[5]	118.60	118.60	-
Sales price	115.22	116.53	33.90
Quality bank	-	(8.03)	-
Premium of bbl difference	0.37	9.57	-
Realised price[6]	**115.59**	**118.07**	**33.90**
Rental tax	(26.09)	(26.09)	-
Export customs duty	(5.52)	(5.08)	-
Transportation	(7.78)	(7.21)	(1.08)
Sales commissions	(0.07)	(0.07)	-
Adjusted realised price	**76.13**	**79.62**	**32.83**

Reference information	**2012**	**2011**
Average exchange US$/KZT rate	148.13	150.67
End of period US$/KZT rate	147.77	150.84
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

[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. 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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