

PRESS - RELEASE

JSC KazMunaiGas Exploration Production announces its financial results for the first half of 2007

Astana, 17 September 2007, JSC KazMunaiGas Exploration Production (“KMG EP” or “the Company”), has today released its unaudited, condensed consolidated interim financial results for the first half of 2007 reviewed by Ernst & Young.

- An increase of crude oil production by 288 thousand tonnes to 4,939 thousand tonnes
- 15.7% growth in net income to 58.1 bn Tenge (US\$472 mn)¹
- A 2.7 bn Tenge (US\$22 mn) increase in profit before tax arising from the Company’s 50% share of JV Kazgermunai LLP (“Kazgermunai”) for the period between the acquisition date and 30 June 2007

The Company produced 4,939 thousand tonnes (200.84 kbopd) of crude oil that was 288 thousand tonnes more than in the first half of 2006. The increase was primarily due to the acquisition of a 50% stake in Kazgermunai completed on 24 April 2007. In the period of 67 days between the acquisition date and 30 June 2007 the Company’s share in Kazgermunai production was 278 thousand tonnes (31.66 kbopd).

Excluding Kazgermunai, in the first six months of 2007 the Company’s production was 4,661 thousand tonnes of crude oil (189.52 kbopd), 10 thousand tonnes more than in the same period in 2006. In the first half of 2007, excluding oil produced by Kazgermunai, the Company supplied 4,764 thousand tonnes of crude oil (193.68 kbopd) to the market, including 3,725 thousand tonnes (151.48 kbopd) supplied to export markets, an increase of 13.1% over the first half of 2006. Such a significant increase of export sales was due to the temporary reduction of supply to domestic market and is not expected to be sustained in the second half of 2007.

Profit after tax (net income) in the first half of 2007 was 58.1 bn Tenge (US\$472 mn)¹, 15.7% higher than in the first half of 2006. The increase in net income was mainly due to an increase in revenues of 7.2 bn Tenge, an increase in finance income of 11.3 bn Tenge, and a decrease of income tax expense of 5.6 bn Tenge as well as an addition of 2.7 bn Tenge (US\$22 mn) from the Company’s 50% share in Kazgermunai for the period between the acquisition date and 30 June 2007. This was partly offset by the 17.2 bn Tenge increase in operating expenses, driven primarily by the non recurrence of the one off release of a provision for an environmental fine of 11.4 bn Tenge in the first half of 2006.

¹ Amounts shown in US dollars 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.

² Rounding adjustments have been made in calculating some of the financial information included in the Appendix. As a result, figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

Commenting on the financial results for the first half of 2007, Askar Balzhanov, the CEO of the Company, said: “These results clearly demonstrate the successful strategy put in place to optimise production from our producing fields and to grow our business by acquisitions. The addition of the profits from our stake in Kazgermunai has been very satisfactory during the first half and we look forward to seeing this trend continue into the second half of the year.”

KMG EP’s revenues for the first half of 2007 increased by 3.6% to 209.9 bn Tenge (US\$1,705 mn). This was primarily due to an increase in sales volume of 2.9% and 0.5% increase in the average realised price from 43,046 Tenge per tonne (US\$46.83 per bbl) to 43,268 Tenge per tonne (US\$48.60 per bbl). In the first half of 2007 exports accounted for 78% of the sales in volume terms (versus 71% in the first half of 2006). In US dollar terms, revenues increased by 6.9 % year-on-year.

Operating expenses were 99.9 bn Tenge (US\$811 mn) in the first half 2007, 5.8 bn Tenge higher than in the first half of 2006, net of the reversal of the environmental fine in 2006. The increase in operating expenses was driven primarily by an increase in transportation costs associated with export, higher energy tariffs, a growth in reserves for fines and penalties, an increase of depreciation, depletion, amortisation and other expenses. Profit from operations was 110.0 bn Tenge (US\$894 mn) in the first half of 2007, 1.4 bn Tenge up in comparison with the first half of 2006, adjusted for the environmental fine reversal.

Operating cash flow was 54.2 bn Tenge (US\$440 mn) for the first half of 2007, approximately 41.5% higher than for the first half of 2006. During the first half of 2007 the Company acquired Kazgermunai for the amount of 118.3 bn Tenge (US\$960 mn) that was recognised as cash outflow used in investing activities.

Purchases of property, plant and equipment (capital expenditures, not including purchases of intangible assets, as per Cash Flow Statement) for the first half of 2007 were 20.7 bn Tenge (US\$168 mn) or 7.2% lower than in the first half of 2006. KMG EP’s full year capital expenditures in 2007, calculated on a cash basis, are expected to decrease to 39.8 bn Tenge compared to 2006 actual capital expenditures of 49.3 bn Tenge.

Cash, cash equivalents and financial assets at the end of the first half of 2007 amounted to 321.1 bn Tenge (US\$2,625 mn) compared to 391.8 bn Tenge (US\$3,085 mn) at the end of 2006. Borrowings were 49.1 bn Tenge (US\$401 mn) at the end of the first half of 2007 compared to 59.7 bn Tenge (US\$470 mn) at the end of 2006.

Impact of acquisition of a 50% stake in Kazgermunai

On 24 April 2007 KMG EP finalised the acquisition of a 50% stake in Kazgermunai for 118.7 bn Tenge (approximately US\$ 975 mn) including costs directly attributable to the acquisition. The 83.1 bn Tenge difference between the consideration and the carrying value of Kazgermunai’s net assets acquired was primarily attributed to the value of the license of Kazgermunai based on its proved reserves.

KMG EP recognised 2.7 bn Tenge (US\$22 mn) as its 50% share of financial results of Kazgermunai as an equity investment in the Company’s condensed consolidated interim financial information for the six months ended 30 June 2007. The amount of 2.7 bn Tenge is the 6.7 bn Tenge of the Company’s 50% stake in Kazgermunai’s net income for the period between the acquisition date and 30 June 2007 adjusted for the 2.1 bn Tenge of one-off effect of the fair

valuation of inventory and the 1.9 bn Tenge of the effect of the fair valuation of the license amortisation over the proved reserves of Kazgermunai using the unit-of-production method.

During the first six months of 2007, Kazgermunai produced 1,485 thousand tonnes of oil (62.52 kbopd), 7.3% up compared to the first six months of 2006.

The full condensed consolidated interim financial information for the six months ended 30 June 2007 (unaudited) and the notes thereto as well as Operating and Financial Review are available at the Company's website (www.kmgep.kz).

Appendix

Key operating and financial indicators of KMG EP for the first half of 2007²

Summary Operating Data, excluding Kazgermunai

| <i>thousand tonnes</i> | Three months ended June 30, | | Six months ended June 30, | |
|------------------------|-----------------------------|-------|---------------------------|-------|
| | 2007 | 2006 | 2007 | 2006 |
| Crude oil production | 2,372 | 2,375 | 4,661 | 4,651 |
| Crude oil exports | 1,790 | 1,652 | 3,725 | 3,295 |
| Crude oil domestic | 583 | 744 | 1,038 | 1,334 |

Summary of Condensed Consolidated Balance Sheets

| <i>Tenge Millions</i> | June 30, 2007 unaudited | December 31, 2006 audited |
|-------------------------------------|-------------------------------|---------------------------------|
| ASSETS | | |
| Non-current assets | 398,471 | 376,824 |
| Current assets | 385,770 | 358,114 |
| Total assets | 784,241 | 734,937 |
| EQUITY | | |
| Equity holders of the Company | 549,376 | 525,752 |
| Minority interest | - | 6 |
| Total equity | 549,376 | 525,758 |
| LIABILITIES | | |
| Non-current liabilities | 81,934 | 100,844 |
| Current liabilities | 152,931 | 108,336 |
| Total liabilities | 234,865 | 209,180 |
| TOTAL EQUITY AND LIABILITIES | 784,241 | 734,937 |

Summary of Condensed Consolidated Statements of Income

| <i>Tenge Millions</i> | Three months ended June 30, | | Six months ended June 30, | |
|--|------------------------------------|---------------------------|----------------------------------|---------------------------|
| | 2007 unaudited | 2006 unaudited | 2007 unaudited | 2006 unaudited |
| Revenue | 111,755 | 102,215 | 209,939 | 202,723 |
| Operating expenses | 50,731 | (43,557) | (99,899) | (82,697) |
| Profit from operations | 61,025 | 58,657 | 110,040 | 120,026 |
| Finance income (expense) | 3,299 | (2,589) | 4,936 | (4,533) |
| Share of result of associates | 2,755 | 227 | 2,660 | (147) |
| Profit before tax and minority interest | 67,078 | 56,295 | 117,636 | 115,346 |
| Income tax expense | (32,830) | (30,868) | (59,541) | (65,126) |
| Profit for the period | 34,248 | 25,427 | 58,095 | 50,219 |
| Attributable to: | | | | |
| Equity holders of the Company | 34,248 | 25,426 | 58,095 | 50,219 |
| Minority interest | - | 1 | - | - |

Summary of Consolidated Statements of Cash Flows

| <i>Tenge Millions</i> | Six months ended June 30, | |
|---|----------------------------------|---------------------------|
| | 2007 unaudited | 2006 unaudited |
| Net cash generated from operating activities | 54,240 | 38,328 |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment (PPE) | (20,745) | (22,348) |
| Sale of held-to-maturity and available-for-sale financial assets, net | (8,186) | (15,179) |
| Disposal of subsidiaries, net of cash disposed | 10,613 | 3,568 |
| Investments in associates | (118,250) | - |
| Loan repayments received from related parties | 97,440 | 9,639 |
| Interest received and other | 14,028 | (6,690) |
| Net cash provided used in investing activities | (25,100) | (31,010) |
| Net cash used in financing activities | (4,638) | (3,254) |

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, 2007 and 2006.

Netback analysis*, for the first half of 2007

| | CPC | UAS | Domestic | Total |
|---|------------|------------|-----------------|--------------|
| Sales volume, thousand tonnes | 1,038 | 2,687 | 1,038 | 4,764 |
| Estimated market quote**, US\$/bbl | 63.69 | 59.80 | n/a | n/a |
| Average realized price, US\$/bbl | 59.85 | 55.73 | 18.85 | 48.60 |
| Adjusted realized price, net of transportation and selling expenses, US\$/bbl | 53.65 | 49.56 | 18.05 | 43.59 |

Netback analysis*, for the first half of 2006

| | CPC | UAS | Domestic | Total |
|--------------------------------------|------------|------------|-----------------|--------------|
| Sales volume, thousand tonnes | 733 | 2,562 | 1,334 | 4,628 |
| Estimated market quote**, US\$/bbl | 65.03 | 61.20 | n/a | n/a |

| | | | | |
|---|-------|-------|-------|-------|
| Average realized price, US\$/bbl | 63.06 | 57.55 | 17.34 | 46.83 |
| Adjusted realized price, net of transportation and selling expenses, US\$/bbl | 57.24 | 51.53 | 15.97 | 42.18 |

* Excluding gas products, other sales and services

** CPC Blend for shipments via Caspian Pipeline Consortium pipeline (CPC) and Urals RCMB for shipments via Uzen-Atyrau-Samara pipeline (UAS).

Reference information

| | Six months ended June 30, | |
|---|---------------------------|--------|
| | 2007 | 2006 |
| Average exchange rate US\$/KZT* | 123.15 | 127.13 |
| Exchange rate US\$/KZT as of 31 December 2006* | | 127.00 |
| Exchange rate US\$/KZT as of 30 June 2007* | 122.31 | |
| <i>*Source: The National Bank of Kazakhstan, the average exchange rates for the periods are calculated on the basis of the daily exchange rates</i> | | |
| Barrels to tonnes conversion ratio for KMG EP crude oil | | 7.36 |
| Barrels to tonnes conversion ratio for Kazgermunai crude oil | | 7.62 |

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NOTES TO EDITORS

KMG EP was the 3rd largest Kazakh oil and gas producing company with over 9.5 mmt (192 kbopd) of crude production in 2006 and 203.2 mmt (1.5 billion bbl) of proved and probable reserves at the end of 2006. The Company's shares are listed on Kazakhstan Stock Exchange and the GDRs are listed on London Stock Exchange. The Company raised approximately US\$2 billion in its IPO in September of 2006.

Kazgermunai is the 8th largest Kazakh oil and gas producing company, operating the Akshabulak, Nuraly and Aksai fields in the Kyzilorda region of the country. In 2006, its production of crude was approximately 3.0 mmt per year (60.72 kbopd); and at the end of September 2006 it had 40.7 mmt (310 million bbl) of proved and provable reserves.

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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.