PRESS - RELEASE

JSC KazMunaiGas Exploration Production announces its financial results for the 9 months ended September 30, 2008

Astana, 20 November 2008, JSC KazMunaiGas Exploration Production ("KMG EP" or "the Company"), today released its unaudited, consolidated interim financial results for the 9 months ended 30 September 2008.

- An increase of crude oil production, including the Company's share in production of JV Kazgermunai LLP ("Kazgermunai") and CCEL ("Karazhanbasmunai") by 15% to 8,909 thousand tonnes in the first 9 months of 2008
- 111% growth in net income to 218.5bn Tenge (US$1,816m)[1] and an increase in earnings per share for the same period from 1,398 Tenge (US$1.93 per GDR) to 2,950 Tenge (US$3.98 per GDR)
- 40.3bn Tenge ($335m) contribution to the 9 months net income from the Company's 50% interest in Kazgermunai and CCEL

Commenting on the financial results for the 9 months of 2008, Askar Balzhanov, CEO of KMG EP, said:
"The achieved results demonstrate the Company's effectiveness and confirm its strong financial position which becomes an important advantage at the time of global financial crisis and lower oil prices".

Production Highlights

The Company produced 8,909 thousand tonnes (239kbopd) of crude oil which was 15% more than in the 9 months of 2007. The increase is primarily due to the acquisition of 50% stakes in Kazgermunai and CCEL which were completed in April and December 2007 respectively.
Excluding Kazgermunai and CCEL, in the first 9 months of 2008 the Company's production was broadly in line with the production plan, at 7,069 thousand tonnes of crude oil (190kbopd), approximately the same level as in the 9 months of 2007.

In the first 9 months of 2008 the Company supplied 8,692 thousand tonnes of crude oil (233kbopd) to its customers which is 10.2% more than in the same period of 2007[2]. Exports of crude oil, including the Company's interest in Kazgermunai and CCEL was 6,696 thousand tonnes (180kbopd). Excluding oil produced by Kazgermunai and CCEL, in the first 9 months of 2008 the Company supplied 6,869 thousand tonnes of crude oil (184kbopd), of which 5,176 thousand tonnes (139kbopd)

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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.*

[2] *The sales volume includes the royalty paid by Kazgermunai in kind in the amount of 54 thousand tonnes of crude oil in the first 6 months 2008 (2.27kbopd, corresponding to a 50% stake owned by KMG EP). Starting from July 2008 Kazgermunai pays royalty in cash.*

were exported, a decline of 7% over the first 9 months of 2007. The decline was due to the distribution of the domestic and export volumes by the Ministry of Energy and Mineral Resources.

Financial Highlights

Profit after tax (**net income**) for the 9 months of 2008 was 218.5bn Tenge (US$1,816m). This is 111% higher than for the 9 months of 2007. The net income increase is attributable to higher prices received for crude, contribution by Kazgermunai, accrual of the return on investment in CCEL and increased financial income. These positive factors were partially offset by income tax expenses increase, introduction of the export duty in May 2008, higher royalty and slight growth in operating expenses.

KMG EP's **revenue** in the first 9 months of 2008 increased by 53% to 519.5bn Tenge (US$4,317m) compared to 9 months of 2007. This was primarily due to a 60% increase in the average realised price from 46,184 Tenge per tonne ($51.9 per bbl) to 73,821 Tenge per tonne (US$84.8 per bbl) and was partially offset by a 4% reduction in sales volume from KMG EP's core assets. For the 9 months of 2008 exports accounted for approximately 75% of the sales in volume terms (versus 77% for the 9 months of 2007). In US dollar terms, revenues increased by 57%.

Operating expenses were 197.1bn Tenge (US$1,638m) for the 9 months of 2008, 44.9bn Tenge higher than for the 9 months of 2007 (a 29% increase). The main reasons for the increase were the introduction of a customs export duty in May 2008 and an increase in royalties due to higher realised oil prices. Excluding these two factors, operating expenses in the first 9 months of 2008 increased slightly (by 3%) compared to the same period of 2007 as growth in repairs and maintenance, energy, materials, transportation expenses associated with export and other expenses were offset mainly by the effect of inventory movements, lower fines and penalties as well as reduced depreciation, depletion and amortization charge and lower taxes other than income tax.

Starting May 17, 2008, the Company's export sales from its core assets have been subject to the export duty. Initial export duty rate was US$14.9 per barrel, changed to US$27.9 per barrel effective from 11th of October 2008. Further changes in fiscal regime will be enacted from January 1st, 2009 following the planned introduction of a new Tax Code of the Republic of Kazakhstan. The Government of Kazakhstan has prepared a draft Tax Code and submitted it to the lower chamber of Parliament in August, 2008. Currently it is being considered by the upper chamber of the Parliament. It is expected that the new Tax Code will be submitted to the President's Administration in November, 2008 and enacted from the beginning of 2009.

The Company plans to increase its employees' average monthly salary by 10.5% starting January 1, 2009 to compensate the impact of inflation in accordance with Kazakhstan legislation.

Operating cash flow was 165.3bn Tenge (US$1,373m) for the 9 months of 2008, 51% higher than for the 9 months of 2007. The main reason was an increase in world oil prices.

Purchases of property, plant and equipment (capital expenditures, not including purchases of intangible assets, as per Cash Flow Statement) for the 9 months of 2008 were 28.8bn Tenge (US$240m) which was almost the same amount in 9 months of 2007. KMG EP's full year capital expenditures in 2008 are expected to increase to 45.2bn Tenge compared to 2007 actual capital expenditures of 40.1bn Tenge.

The capital investments in 2009 according to the base-case version of the budget will amount to 71bn Tenge. The base-case budget assumes Brent oil price of US$60 per barrel and envisages stable production at the core assets (“Ozenmunaigas” and “Embamunaigas”) at the level of 9.5m tones (191.6kbopd). Currently the Company is developing an action plan to improve efficiency and cut capital and operational expenditures in the base-case as well as in more pessimistic oil price scenarios.

Dividends paid to the Company’s shareholders for the 9 months of 2008 were 39.2bn Tenge (US$326m) compared to 35.6bn Tenge of the same period of 2007 (US$289m).

Cash, cash equivalents and financial assets at the end of the 9 months of 2008 amounted to 549.4bn Tenge (US$4,585m) compared to 402.2bn Tenge (US$3,343m) as of 31st of December, 2007. Borrowings as of September 30, 2008 were 19.5bn Tenge (US$163m) compared to 32.8bn Tenge (US$273m) as of the end of 2007. As of September 30, 2008 68% of financial assets denominated in US dollar, 32% denominated in Tenge. Deposits with two of the largest Kazakh banks, Halyk and Kazkommertsbank account for 75% of the financial assets as of 30 September, 2008. Interest accrued on financial assets in 9 months of 2008 was 30.0bn Tenge (US$249m).

Impact of acquisition of a 50% stake in Kazgermunai

On 24 April 2007 KMG EP finalised the acquisition of a 50% stake in Kazgermunai. KMG EP recorded 38.4bn Tenge (US$319m) in its net income for the 9 months ended 30 September 2008. This amount represents 50% share of Kazgermunai net income for the corresponding period adjusted for 8.2bn 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 9 months of 2008, Kazgermunai’s 100% production was equal to 2,335 thousand tonnes of oil (66kbopd), 4% increase compared to the first 9 months of 2007. Crude oil export by Kazgermunai was 82% of its sales volumes in this period.[3]

KMG EP received US$75m in dividends in from Kazgermunai in March 2008.

Impact of acquisition of a 50% stake in Karazhanbasmunai

The Company has recognised the amount of 20.3bn Tenge ($US169m) as a receivable from the jointly controlled entity as of September 30, 2008. KMG EP has accrued 1.9 bn Tenge (US$15m) in the first 9 months of 2008. This represents around ¾ of the interest portion of the US$26.2m annual priority return as interest income.
During the first 9 month 2008 CCEL’s 100% production was equal to 1,345 thousand tonnes of oil (32.8 kbopd). Crude oil exports by CCEL were 86% of its sales volumes in this period.

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The full consolidated interim financial information for the 9 months ended 30 September 2008 (unaudited) and the notes thereto are available at the Company’s website (www.kmgep.kz).

[3] *At calculation of export in volume of sales, the royalty tax in kind has been included in volume of domestic market sales*

Appendix

Key operating and financial indicators of KMG EP for the first 9 months of 2008[4]

Summary of Consolidated Statements of Income

Tenge Millions, except as indicated	**Three months ended September 30,**		**9 months ended September 30,**	
	2008 unaudited	**2007 unaudited**	**2008 unaudited**	**2007 unaudited**
Revenue	182,505	128,899	519,536	338,838
Operating expenses	(75,368)	(52,353)	(197,145)	(152,253)
Profit from operations	107,137	76,546	322,391	186,586
Finance income	11,397	6,270	31,849	19,427
Finance expenses	(559)	(361)	(2,291)	(3,173)
Foreign exchange loss	(3,072)	(1,864)	(2,110)	(7,489)
Gain on sale of subsidiaries	-	644	-	860
Share of result of associates	10,998	6,233	38,252	8,893
Profit before tax and minority interest	125,900	87,468	388,092	205,104
Income tax expense	(54,872)	(42,083)	(169,549)	(101,624)
Profit for the period	71,028	45,386	218,543	103,481
EARNINGS PER SHARE, Tenge per share				
Attributable to:				
Equity holders of the Company	959	610	2,950	1,398
Minority interest	-	-	-	-

Summary of Consolidated Statements of Cash Flows

Tenge Millions	**9 months ended September 30,**	
	2008 unaudited	**2007 unaudited**
Net cash generated from operating activities	165,265	109,322
Cash flows from investing activities		
Purchases of property, plant and equipment (PPE)	(28,835)	(28,438)
Purchase of held-to-maturity financial assets, net	(141,914)	(18,242)
Disposal of subsidiaries, net of cash disposed	-	10,347
Purchases of a joint venture	-	(118,713)
Loan repayments received from related parties	-	97,440
Interest received	20,087	12,740

[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.*

Net cash provided used in investing activities	(116,633)	(51,641)
Proceeds from borrowings	-	1,995
Repayment of borrowings	(8,9)	(8,136)
Dividends paid to Company's shareholders	(39,215)	(35,560)
Interest paid and other	(816)	(2,606)
Net cash used in financing activities	(40,040)	(44,307)

Summary of Condensed Consolidated Balance Sheets

Tenge Millions	**September 30, 2008 unaudited**	**December 31, 2007 audited**
ASSETS		
Non-current assets	400,091	379,699
Current assets	645,706	472,153
Total assets	1,045,797	851,852
EQUITY		
Share capital	260,234	259,366
Other equity	134	581
Retained earnings	563,319	386,495
Total equity	823,687	646,442
LIABILITIES		
Non-current liabilities	50,311	70,077
Current liabilities	171,799	135,333
Total liabilities	222,110	205,410
TOTAL EQUITY AND LIABILITIES	1,045,797	851,852

The following tables show the Company's realised sales prices adjusted for oil and oil products transportation and other expenses for the 9 months ended September 30, 2008 and 2007.

	9M 2008			
	UAS	**CPC**	**DOMESTIC**	**TTL**
		(US$/bbl)		
Benchmark end-market quote[5]	107.53	112.50	-	-
Realised price[6]	103.86	110.93	20.44	84.85
Export customs duty	6.95	6.71	-	5.18
Transportation	7.52	8.21	0.93	6.05
Sales commissions	0.07	0.07	-	0.05
Adjusted realised price	**89.32**	**95.94**	**19.51**	**73.57**

[5] *The following quotes used as the base for the market prices: Urals (FOB Odessa) UAS pipeline and CPC blend (FOB Novorossisk) on CPC.*
[6] *Coefficient of 7,23 barrels per tonne is used*

	9M 2007			
	UAS	CPC	DOMESTIC	TTL
	(US$/bbl)			
Benchmark end-market quote[5]	64.09	67.75	-	-
Realised price[6]	60.31	64.49	18.81	51.87
Export customs duty	-	-	-	-
Transportation	6.10	6.59	0.81	5.01
Sales commissions	0.07	0.07	-	0.05
Adjusted realised price	**54.14**	**57.83**	**18.00**	**46.81**

Reference information	**9 months ended September 30.**	
	2008	**2007**
Average exchange rate $/KZT	120.35	123.15
US$/KZT at balance sheet date	119.81	120.32

Coefficient barrels to tones for KMG EP crude	7,36
Coefficient barrels to tones for Kazgermunaicrude	7,62
Coefficient barrels to tones for CCEL crude	6,68

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NOTES TO EDITORS

KMG EP is among the top three Kazakh oil and gas producers. The overall production in 2007 was 10.6mmt (an average of 215kbopd) of crude oil. including the Company's share in Kazgermunai and CCEL. The total volume of proved and probable reserves. as at the end of 2007. is 203.2mmt (1.5bn bbl). excluding the relevant proportion of reserves at Kazgermunai and CCEL; including the share of reserves from Kazgermunai and CCEL. the 2P reserves are over 2bn barrels. The Company's shares are listed on Kazakhstan Stock Exchange and the GDRs are listed on London Stock Exchange. The Company raised approximately US$2bn in its IPO in September 2006.

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