PRESS - RELEASE

JSC KazMunaiGas Exploration Production announces its financial results for the 1Q09

Astana, May 21, 2009. JSC KazMunaiGas Exploration Production ("KMG EP" or "the Company"), today released its unaudited, consolidated interim financial results for the three months ended 31 March 2009.

- Profit for the period of 108.0bn Tenge (US$777.9m)[1] and earnings per share of 1,464 Tenge (US$1.76 per GDR), including a significant foreign exchange gain.
- Operating profit declined by 79% to 20.0bn Tenge (US$143.8m) compared to the first three months of 2008 on lower oil prices.
- The Company has entered into an oil price hedge on 1.5 million bbl per month through the end of 2009.

Commenting on the financial results for the first three months of 2009, Askar Balzhanov, CEO of KMG EP, said: "Besides the movements of the exchange rate, the 1Q 2009 results were driven by the adverse market conditions with lower oil prices. However, we are pleased that, despite this challenging environment, KMG EP's operations remain profitable and the Company continues to deliver upon its strategic objectives as planned".

Production Highlights

In the first three months of 2009 the Company produced 2,743 thousand tonnes (224kbopd) of crude oil, including the Company's stakes in both Kazgermunai and CCEL. This is 150 thousand tonnes, or 5.2% less than in the first three months of 2008. The decline is partly due to KMG EP's planned reduction in drilling and production for 2009 but is also a result of unusually tough weather conditions in Western Kazakhstan in January of 2009 that led to power outages in the oilfields. This was partly offset by increased production in February and March as well as the improved operational results at Kazgermunai and CCEL compared to the same period of last year.

The oil production plan for 2009 remains unchanged at 11.6 million tonnes (234.3kbopd), including 50% stakes in Kazgermunai and CCEL.

In the first three months of 2009 the Company supplied 2,128 thousand tonnes of crude oil to customers (174.0 kbopd), excluding the share in supply from Kazgermunai and CCEL. Of this amount, 1,781 thousand tonnes (145.6 kbopd) were exported.

---

[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.

The Company's share in the shipment volumes from Kazgermunai and CCEL was 594 thousand tonnes of crude oil (48.4kbopd) in the first three months of 2009, including 550 thousand tonnes (44.7kbopd) supplied to export markets. This represents a 9% and 17.7% increase compared to the same period of 2008, respectively.

Due to a change in the terms of one of the export contracts of Kazgermunai some of the shipments made in the first quarter of 2009 will be recognized as sales in the second quarter. Taking this change into account, in the first three months of 2009 the Company's share in crude oil sales by Kazgermunai and CCEL was 465 thousand tonnes (37.0 kbopd), including 421 thousand tonnes (33.4 kbopd) sold to export markets. This is 15% and 10% lower than in the first quarter of 2008 respectively.

Financial Highlights

Profit after tax (**net income)** for the first three months of 2009 was 108.0bn Tenge (US$777.9m). This is 70% higher than for the same period of 2008. The net income increase is mainly attributable to foreign exchange gain of 101.6bn Tenge (pre-tax) following Tenge devaluation in February 2009. Excluding the foreign exchange gain, net income declined 57% year on year, mainly reflecting significantly lower crude oil prices in 2009.

KMG EP's **revenue** in the first three months of 2009 decreased by 42% to 83.2bn Tenge (US$599m) compared to first three months of 2008. This was due to a 42% decrease in the average realised price from 65,253 Tenge per tonne ($74.94 per bbl) to 37,680 Tenge per tonne (US$37.53 per bbl) and a 1.3% reduction in sales volume. For the first three months of 2009 exports accounted for approximately 84% of the sales in volume terms (versus 76% for the first three months of 2008), as reduced domestic demand allowed the Company to supply more to export markets. Domestic sales plan for 2009 remains at the level of 2.2m tonnes (44.4 kbopd). In US dollar terms, revenues decreased by 50% year on year.

KMG EP recorded a loss of 896.3m Tenge (US$6.5m) from its share in Kazgermunai in its net income for the three months ended 31 March 2009. This amount represents 50% share of Kazgermunai net income of 5.9bn Tenge for the corresponding period adjusted for 2.7bn Tenge of the effect of goodwill amortisation and 1.1bn Tenge of deferred income tax gross-up amortisation for the first three months of 2009. The financial results of Kazgermunai in the first quarter of 2009 were affected by the changes in one of its sales contracts' terms, referred to above.

The Company has recognised an amount of 24.4bn Tenge ($US161m) as a receivable from CCEL, a jointly controlled entity, as of March 31, 2009. KMG EP has accrued 748m Tenge (US$5.4m) of interest income in the first three months of 2009 and this is included in the period-end receivable, which is related to the US$26.87m annual priority return from CCEL.

Operating expenses were 63.2bn Tenge (US$455.1m) for the first three months of 2009, 13.9bn Tenge higher than for the first three months of 2008 (a 28% increase). The main reasons for the increase was the introduction of a rent tax and a mineral extraction tax (MET) that replaced royalty. Excluding tax-related factors, operating expenses in the first three months of 2009 increased by 8% in Tenge compared to the same period of 2008, mainly due to an increase in transportation expenses associated with increased export sales volumes, and to increased employee benefits and energy usage. There was a partial offset due to decreases in materials, repairs and maintenance and other services, social infrastructure projects and change in crude oil balance. In dollar terms operating expenses per barrel, excluding taxes, remained at approximately the same level as in the first quarter of 2008, and decreased by 21% compared to the fourth quarter of 2008.

New Tax environment in 2009.

A new Tax code was introduced in Kazakhstan from 1st January of 2009. The key changes in the tax regime applicable to KMG EP include:

- Introduction of rent tax for the exports of crude oil. The rent tax replaced export duty that was effective from 17th May 2008. No export tax was applied in the first quarter of 2008.
- Introduction of Mineral Extraction Tax that replaced royalties, generally at a higher rate.
- Reduction in the corporate income tax rate from 30% to 20%.
- Revision of Excess profit tax methodology and rates.

According to the new Tax code, the progressive rate of the introduced Mineral Extraction Tax (MET) depends on production levels of crude oil and gas in each individual contract on subsoil use. The tax base for calculation of MET is the volume of extracted crude oil per contract. The amount of MET is determined by world prices of crude oil (specifically, Brent and Urals). Mineral extraction tax accrued in 1Q2009 is 9.5bn Tenge ($US69m). This is 57% and 127% more than royalty expenses paid in the first and the fourth quarters of 2008 respectively. The increase is explained by application of the progressive scale with higher effective rates of MET compared to royalty.

Another component of the new Tax code is ‘rent tax’ that replaced export customs duty (“ECD”) introduced in May 2008. The rent tax is determined by the value of exported crude oil, by reference to the world prices of crude oil (specifically, Brent and Urals). The major difference between the rent tax and the ECD is that the rent tax is accrued on a quarterly basis and provides matching between the taxation and export revenues. Rent tax accrued in 1Q2009 is 5.8 bn Tenge, which is 85% lower than the export duty accrued in 4Q 2008. Export duty did not apply in the first three months of 2008.

Excess Profit Tax (“EPT”) methodology was revised under the new Tax code. EPT is now calculated separately for each subsurface use contract and is charged when the revenue from crude oil sales exceeds the level of permissible deductions by more than 25%. As an incentive for the replacement of fixed assets, capital expenditure related to petroleum operations may be included in deductions instead of depreciation for the purposes of the EPT calculation. The tax rate is based on an incremental progressive scale and depends on the level of the received net profit. Excess profit tax accrued in the first three months of 2009 was about 995m Tenge. This is 94% lower than in the first three months of 2008.

Under the new Tax code the corporate income tax rate has been reduced from 30% to 20% from 1st January 2009. The total amount of accrued income tax in the first three months of 2009 is 23.0 bn Tenge which is 28% less than in 1Q-2008. Approximately 86% of the current income tax in 1Q-2009 is related to the significant exchange gain obtained in this period.

Operating cash flow was 52.4bn Tenge (US$377,1m) for the first three months of 2009, 19% less than for the first three months of 2008. The main reason was a decrease 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 first three months of 2009 were 4.7bn Tenge (US$33.8m) which is 46% lower than in the same period of 2008. KMG EP’s full year capital expenditures in 2009 are expected to be approximately 40bn Tenge compared to 2008 actual capital expenditures of 41.9bn Tenge.

The budget for operating and capital expenditures is subject to periodic adjustments to reflect changes in the oil price, inflation and the Tenge exchange rate among other factors.

Impact of Tenge devaluation. On February 4, 2009, the National Bank of Kazakhstan conducted a one-time devaluation of the national currency, Tenge, by approximately 25% by setting the target exchange rate for the mid-term period at 150 Tenge per 1 US$, plus or minus 3%.

As of 31st December, 2008, around 67% of cash, cash equivalents and other financial assets was denominated in US$. Due to Tenge devaluation the cash deposits denominated in US dollars led to accrual of foreign exchange gain in the first three month of 2009 of about 101.6bn Tenge (US$731.5m), before tax. The Company has accrued corporate income tax on this gain at the current rate of 20%.

The Company has also recorded 14.7bn Tenge of exchange difference on translating foreign operations in other comprehensive income for the period, attributable mainly to its investments in Kazgermunai and CCEL.

Net cash, cash equivalents and financial assets at the end of the three months of 2009 amounted to 634.2bn Tenge (US$4,19bn) compared to 534.5bn Tenge (US$4,43bn) as of 31st of December, 2008. Borrowings as of March 31, 2009 were 20.1bn Tenge (US$133m) compared to 20.4bn Tenge (US$169m) as of the end of 2008. As of March 31, 2009 77% of financial assets were denominated in US dollar, 23% denominated in Tenge. Deposits with two of the largest Kazakh banks, Halyk and Kazkommertsbank account for approximately 83% of the financial assets as of 31 March, 2009. Interest accrued on financial assets for the first three months of 2009 was 11.3bn Tenge (US$81m).

In February 2009, one of KMG EP's payment orders, for the amount of 17bn Tenge was accepted by BTA Bank, but has not been executed. In April 2009, KMG EP made several relatively small payments from its BTA Bank account.

As of March 31, 2009, approximately 44bn Tenge were held at BTA Bank. This represents about 7% of the Company's cash held in banks. Of this amount, the Company treats 19bn Tenge as cash and cash equivalents and 25bn Tenge as other financial assets on its balance sheets.

On April 24 BTA Bank announced that it stopped payment of principal debts. According to BTA Bank's statement, this measure will be effective until the bank agrees on and implements jointly with creditors and investors a reasonable, transparent and efficient current debt management program.

Although the Company's access to its entire funds with BTA bank remains uncertain, the current situation does not preclude KMG EP from conducting its business operations as normal, nor from timely fulfillment of its obligations.

Hedging. On the 25th of February, 2009, the Board of directors of the Company approved guidelines for hedging of oil prices by using a "zero-cost collar" derivative in the remaining months of 2009. The Company has entered into two zero-cost "Collar" hedging transactions in May, for the aggregate monthly volume of 1.5 million barrels (representing approximately 36% of planned monthly export volume through the end of 2009), the floor price of US$40 per barrel and the ceiling price of US$75-US$77 per barrel of Brent, depending on the contract. The hedging arrangements are designed to protect the Company's cash flows in a low oil price environment. The Company would benefit from these arrangements should the oil price decline below the floor price and would give up part of its profit if the oil price exceeds the ceiling price.

According to the Tax code of the Republic of Kazakhstan, operations with derivatives are not treated as subsoil usage operations (contract activity), therefore, such operations will be taxed separately from activities under subsoil use contracts.

***

The full consolidated interim financial information for the three months ended 31 March 2009 (unaudited) and the notes thereto are available at the Company's website (www.kmgep.kz).

Appendix

Key operating and financial indicators of KMG EP for the first three months of 2009[2]

Summary of Condensed Interim Statement of Comprehensive Income

	Three months ended March 31	
	2009 unaudited	**2008 unaudited**
Revenue	83,155,102	143,483,284
Operating expenses	(63,190,478)	(49,312,423)
Profit from operations	**19,964,624**	**94,170,861**
Interest income	11,999,692	10,000,349
Interest expense	(509,648)	(1,103,496)
Foreign exchange gain	101,571,495	834,010
Share of result of associates and joint ventures	(1,050,513)	9,050,326
Profit before tax	**131,975,650**	**112,952,050**
Income tax expense	(23,964,065)	(49,493,006)
Profit for the period	**108,011,585**	**63,459,044**
Exchange difference on translating foreign operations	14,737,669	257,237
Realised loss on available-for sale financial investments reclassified to the profit for the period	–	435,886
Other comprehensive income for the period, net of tax:	**14,737,669**	**693,123**
Total comprehensive income for the period, net of tax	**122,749,254**	**64,152,167**
EARNINGS PER SHARE		
Basic and diluted	1.46	0.86

[2] *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.*

Summary of Consolidated Interim Statement of Cash Flows

	Three months ended March 31,	
Tenge thousands	**2009 unaudited**	**2008 unaudited**
Net cash generated from operating activities	**52,356,529**	**64,860,494**
Cash flows from investing activities		
Purchases of PPE	(4,691,118)	(8,671,271)
Proceeds from sale of PPE	628,831	511,610
Purchases of intangible assets	–	(5,390)
Purchases of joint venture interest	(580,044)	–
Dividends received from joint ventures and	–	9,063,750
Purchases of financial assets held-to-maturity, net	(61,409,660)	(37,432,220)
Sale of available-for-sale financial assets, net	–	6,449,113
Interest received	2,726,365	6,868,470
Net cash used in investing activities	**(63,325,626)**	**(23,215,938)**
Purchase of treasury shares	(6,609,944)	–
Repayment of borrowings	(1,865,698)	(7,322)
Dividends paid to Company's shareholders	(32,917)	(10,241)
Interest paid	(52,399)	–
Net cash used in financing activities	**(8,560,958)**	**(17,563)**

Summary of Condensed Consolidated Interim Statement of Financial Position

Tenge thousands	**March 31, 2009 unaudited**	**December 31, 2008 audited**
ASSETS		
Non-current assets	491,375,098	402,582,366
Current assets	657,155,898	616,949,387
Total assets	**1,148,530,996**	**1,019,531,753**
EQUITY		
Share capital	252,567,351	259,724,847
Other capital reserves	1,458,475	1,385,036
Retained earnings	694,070,535	586,058,950
Other components of equity	14,661,472	(76,197)
Total equity	**962,757,833**	**847,092,636**
LIABILITIES		
Non-current liabilities	45,731,711	44,248,998
Current liabilities	140,041,452	128,190,119
Total liabilities	**185,773,163**	**172,439,117**
TOTAL EQUITY AND LIABILITIES	**1,148,530,996**	**1,019,531,753**

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, 2009 and 2008.

	3M 2009			
	UAS	**CPC**	**DOMESTIC**	**AVERAGE**
	(US$/bbl)			
Benchmark end-market quote[3]	42.70	44.14	-	-
Realised price[4]	41.89	40.45	17.88	37.53
Rent tax	3.23	3.23	-	2.70
Mineral extraction tax	5.03	5.03	1.24	4.41
Transportation	5.99	7.72	0.97	5.70
Sales commissions	0.06	0.06	-	0.05
Adjusted realised price	**27.58**	**24.41**	**15.67**	**24.67**

	3M 2008			
	UAS	**CPC**	**DOMESTIC**	**AVERAGE**
	(US$/bbl)			
Benchmark end-market quote[5]	93.47	97.64	-	-
Realised price[6]	90.23	96.59	20.67	74.94
Royalty	3.26	3.26	3.26	3.26
Transportation	7.41	8.10	0.83	5.99
Sales commissions	0.07	0.07	-	0.05
Adjusted realised price	**79.49**	**85.16**	**16.58**	**65.64**

Reference information	**Three months ended March 31,**	
	2009	**2008**
Average exchange rate $/KZT	138.85	120.45
US$/KZT at balance sheet date	151.40	120.69

Coefficient barrels to tones for KMG EP crude	7.36
Coefficient barrels to tones for Kazgermunai crude	7.61
Coefficient barrels to tones for CCEL crude	6.68

- ENDS -

NOTES TO EDITORS

KMG EP is among the top three Kazakh oil and gas producers. The overall production in 2008 was 9.4mmt (an average of 240kbopd) 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 2008, is 241mmt (1.8bn 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 2.1 bn barrels. The Company's shares are listed on Kazakhstan Stock Exchange and the GDRs are listed on

[3] *The following quotes used as the base for the market prices: Urals (FOB Odessa) UAS pipeline and CPC blend (FOB Novorossisk) on CPC.*

[4] *Coefficient of 7,23 barrels per tonne is used*

London Stock Exchange. The Company raised approximately US$2bn in its IPO in September 2006. In February, 2009, the Board of directors of the Company approved hedging of oil prices through "zero-cost collar" derivative in the remaining months of 2009.

'Collar' is a derivative by means of which the maximum and minimum prices of an underlying asset are fixed, thereby creating a range restricting potential profits and losses from price fluctuation.

For further details please contact us at:
«KMG EP». Public Relations (+7 7172 97 7600)
Daulet Zhumadil
E-mail: pr@kmgep.kz

«KMG EP». Investor Relations (+7 7172 97 5433)
Asel Kaliyeva
E-mail: ir@kmgep.kz

Pelham PR (+44 203 178 44 18)
Elena Dobson
E-mail: Elena.dobson@pelhampr.com

Forward-looking statements

This document includes statements that are. or may be deemed to be. ''forward-looking statements''. These forward-looking statements can be identified by the use of forward-looking terminology. including. but not limited to. the terms ''believes''. ''estimates''. ''anticipates''. ''expects''. ''intends''. ''may''. ''target''. ''will''. or ''should'' or. in each case. their negative or other variations or comparable terminology. or by discussions of strategy. plans. objectives. goals. future events or intentions. These forward-looking statements include all matters that are not historical facts. They include. but are not limited to. statements regarding the Company's intentions. beliefs and statements of current expectations concerning. amongst other things. the Company's results of operations. financial 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.