



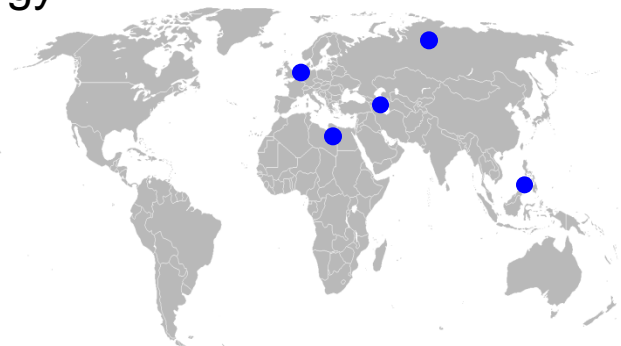
JSC “KazMunaiGaz” Exploration Production”

Strategy of growth in Kazakhstan and abroad

РД Open

Astana, May 2011

Implementation of Growth Strategy



Prior to the IPO

- Oil company involved in development of mature fields of Embamunaigas and Uzenmunaigas
- No strategic plan for consolidated reserves/production growth
- No exploration/acquisitions plans
- **Consolidated reserves are 203 mt**

After the IPO up to 2010

- Reserves/ production growth strategy through acquisition of assets
- Increase in the number of producing assets and JVs via acquisitions (PKI, KGM, KBM, NBK, Ural Group Limited, etc.), including establishment of KMG EP's own exploration company called KMG EP Exploration Ventures
- Non-core assets restructuring
- First international project together with BG and Maersk Oil in the North Sea
- **Consolidated reserves are 349 mt⁽¹⁾**

2011-2020 Strategy

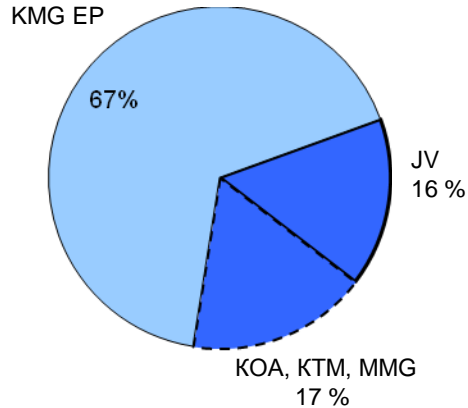
- Integrated international oil and gas company for onshore and offshore exploration and production
- Utilization of advanced technologies for exploration and development of oil fields
- At least 20% increase of international assets' share in consolidated reserves
- At least 20% increase of offshore assets' share in consolidated reserves
- **At least 1.2% average annual reserves replacement ratio**

STRATEGIC GOAL:

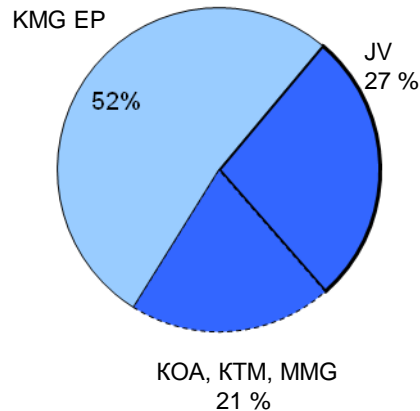
KMG EP among the top oil and gas E&P companies in Kazakhstan; a key player in the Caspian region; company able to compete at a global market level

KazMunaiGas EP today

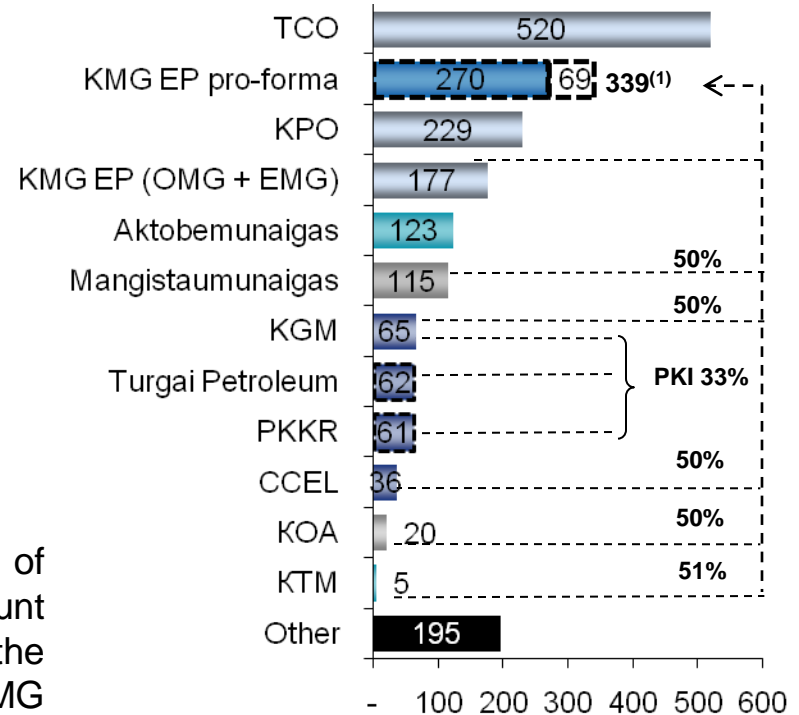
2P Reserves 2010



Production 2010



Oil production in Kazakhstan 2010 (kbopd)



- From the moment of IPO the growth potential of consolidated reserves in 2010 taking into account acquisition deals⁽¹⁾ in 2011 could reach 72%, while the growth of consolidated production – 76%. As a result, KMG EP has moved up from the 3d place to the 2nd among the largest oil and gas producers in Kazakhstan.

Note: (1) including shares in KOA, KTM, MMG,

Recent acquisitions of oil and gas assets in Kazakhstan and abroad

Asset, % Acquisition date	KGM (50%), April 2007	CCEL (50%), December 2007	PKI (33%), December 2009	Ural Group Limited (50%), April 2011
Deal price	US\$971 million	US\$150 million + US\$782 million debt without the right of recourse	US\$100.5 million + US\$831 million debts without the right of recourse	US\$164.4 million
Effect on production ¹	+19%	+10%	+24%	Start of commercial production is expected within a few years
Effect on reserves ²	+5%	+13%	+7%	+6%
Return on investments ³	Dividends US\$ 1,075 million	Dividends US\$210 million	Dividends US\$99 million	Payback period 4-5 years

Asset, % Acquisition date	NBK (100%), September 2010	SBS (100%), September 2010	White Bear (35%), August 2010	Temir, Teresken, Karaton-Sarkamys. Uzen- Karamandybas (100%), April 2011
Deal price	▪ US\$35 million	▪ US\$30 million	▪ Financing license commitments according to shares owned	▪ US\$ 40 million
Reserves/ resources	Recoverable reserves of 13.0 million barrels	Perspective reserves 126-146 million barrels	Several hundreds of millions of barrels depending on the success ratio of exploration	Geological resources - 1.56 milliard barrels

The preferred deal structure is designed to minimise downside investment risks while receiving benefits related to increased reserves and production

(1) Increase in production based on production in 2010

(2) Increase of 2P reserves as of the end of 2010 (except PKI – end of 2009)

Acquisitions at the stage of completion, 2011

Asset	KOA (50%)	KTM (51%)	MMG (50%)	Total
Deal price	US\$466 million US\$350 mln. cash + US\$116 mln. net debt	US\$123 million US\$70 mln. cash+ US\$53 mln. net debt	US\$1,660 million US\$330 mln. cash + US\$1,330 mln.net debt	US\$2,249 million US\$750 mln. cash + US\$1,499 mln.net debt
Effect on production⁽¹⁾	+4%	+1%	+21%	+26%
Effect on 2P reserves⁽²⁾	+5%	+1%	+13%	+19%
Deal status	An approval by the regulatory agencies is expected	An approval by the regulatory agencies is expected	An approval by the regulatory agencies is expected	

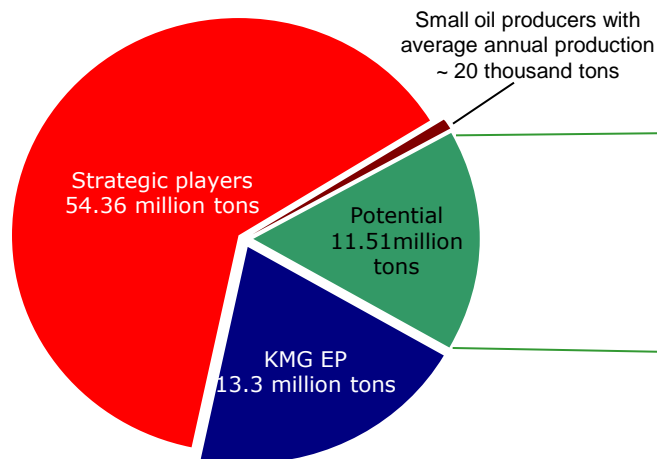
Acquisition of assets would expand KMG EP exploration portfolio, including offshore blocks in the Caspian

(1) Increase in production based on production in 2010

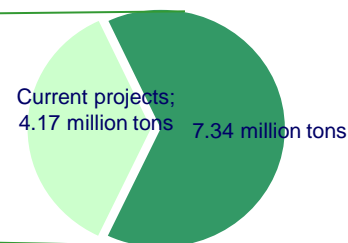
(2) Increase of 2P reserves as of the end of 2010 (except PKI – end of 2009)

Analysis of a mid and long term perspective: limited further onshore growth in RK

Production of oil and gas condensate in 2010 – 79.7 million tons



Production growth potential for KMG EP's onshore assets – 11.51 million tons p.a.

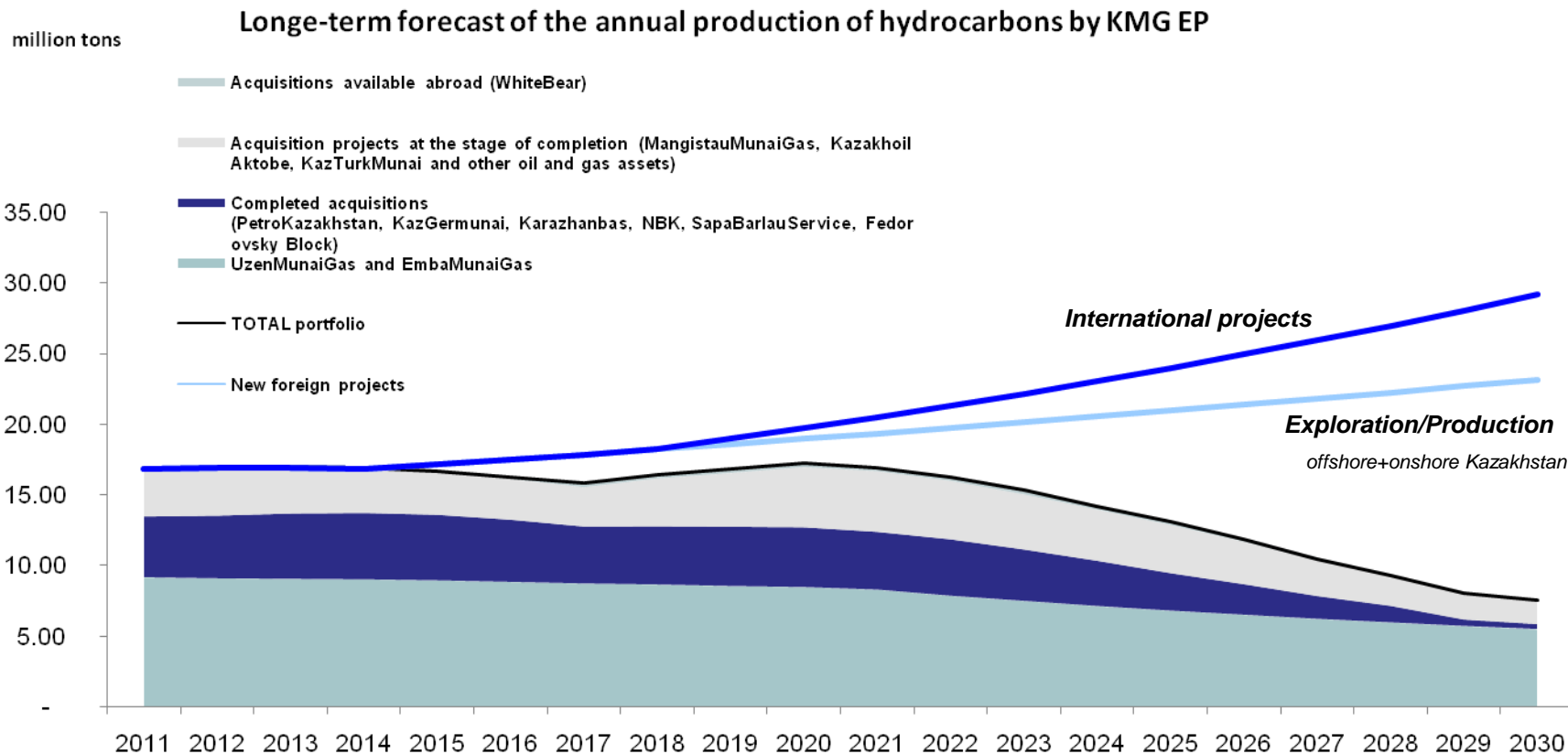


Current projects: (50%) MMG, (50%) KOA, (51%) KTM

Taking into account the limited onshore potential in Kazakhstan, the source for significant growth of KMG EP's reserves and production, as well as for utilization of financial potential of the company is:

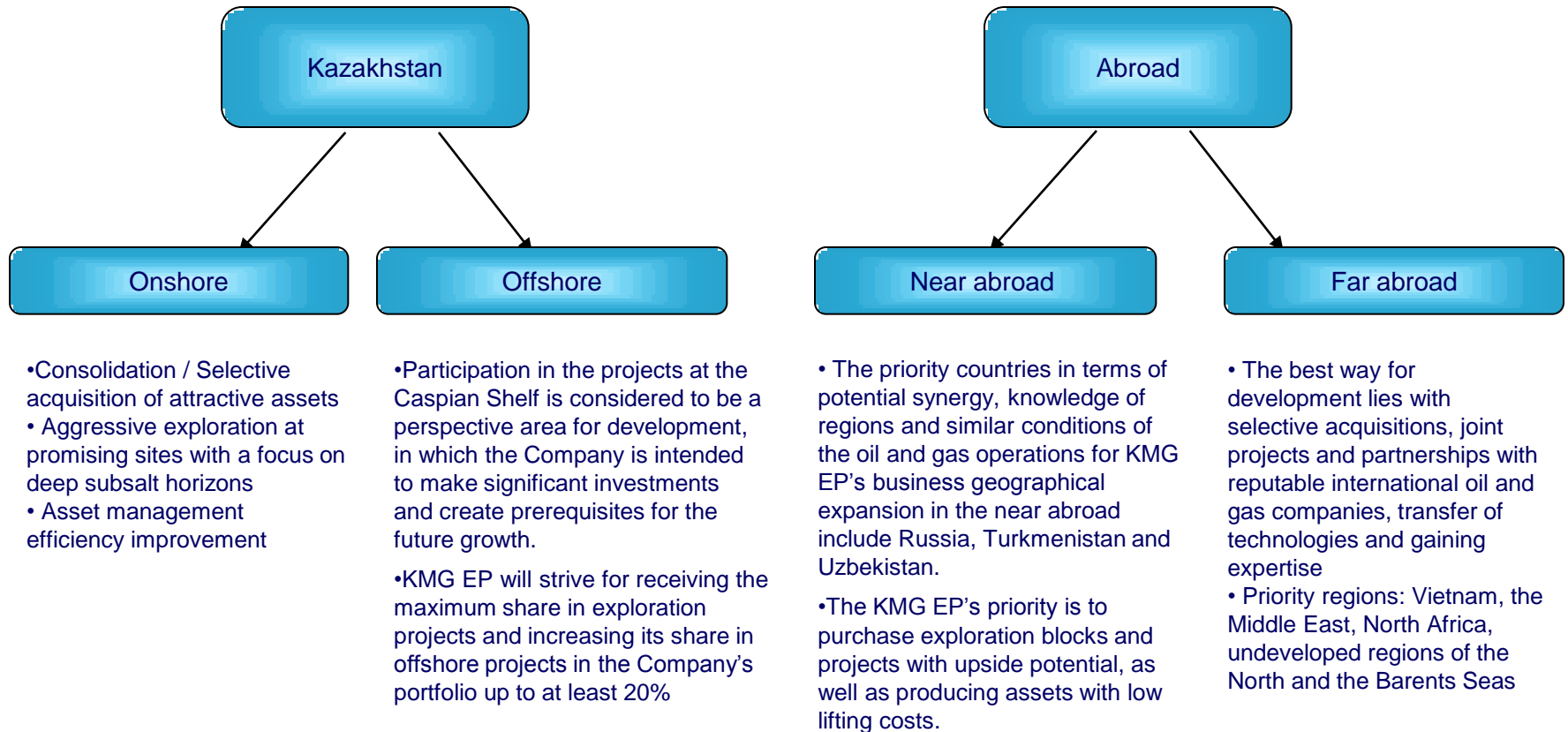
- **An opportunity to participate in the implementation of offshore projects at the Caspian Sea as a partner of NC KMG / KMT: growth of reserves and production in a mid and long-term perspective.**
- **Successful exploration of subsalt horizons in the Republic of Kazakhstan: growth of reserves and production in a mid and long term perspective.**
- **Selective acquisition of profitable assets abroad: growth of reserves and production in a short-term perspective.**

KMG EP future production growth plans



KMG EP has sufficient funds, technology, and personnel to achieve its strategic goal to increase its hydrocarbon reserves and production

Strategic growth perspective 2010-2020



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