

12thSeptember 2011

Chagala Group Limited
('Chagala' or 'the Company' or 'the Group')

Interim results for the six months ended 30 June 2011

Chagala Group Limited, the specialist service and facility provider to the oil and gas industry in Kazakhstan(symbol: CHGG), is pleased to announce its unaudited interim results for the six months ended 30 June 2011.

Financial Highlights:

- Total revenue increased by 8.4% to \$19.23m (HY2010: \$17.73m)
- EBITDA increased by 17.4% to \$8.15m (HY2010: \$6.95m)
- Operating Profit increased by 11.9% to \$4.95m (HY2010: \$4.43m)
- Profit before tax increased 34.58% to \$4.15m (HY 2010 : \$3.08m)
- Total Assets of \$206.6m, up by 3.16% from 31 December 2010 (\$200.2 m)

Operational Highlights:

- Successfully negotiated a new accommodation lease for an oil and gas project leading to the construction of 33 townhouses on our site in Atyrau. A new product line for the Group.
- Broke ground on a new 2,200 m2 office block at our development site in Atyrau. Lease agreements and expressions of interest already received for finished floors.
- Extended lease agreement on Chagala Centre office building in Atyrau.
- Restructured Aktau and Bautino Development companies into a single entity with improvements in operational and tax efficiencies expected.

Francisco Parrilla, Chief Executive Officer, said:

"I am pleased to announce that the Group has delivered another strong set of results for the first half of 2011 and we are working on several high quality development projects. As discussed in our preliminary results, there continues to be a lack of clarity on a number of oil and gas projects in Kazakhstan and we expect these to impact on our performance in the second half. Once they are resolved, our established positioning and long-term client relationships will make us very well placed to share in western Kazakhstan's outstanding growth prospects."

The interim report is also available for viewing at www.chagalagroup.com"

There will be a conference call for investors and analysts at 10am UK time. The details for the call are:

UK Direct: 01296 480 100
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Chief Executive Officer's Review

Overview

Chagala's revenue grew to \$19.23mHY2011, an increase of 8.4% on the previous year. The majority of this growth can be attributed to increased rates that were established in the second half of 2010 as well as the impact of new assets such as the apart hotel in Aktau and new apartments in Uralsk.

The Group's Profit Before Income Tax of \$4.15m increased by just over \$1m or 34.58% compared to the \$3.08m achieved in HY2010. In addition to increased revenues, this was achieved through comprehensive cost controls.

The lack of clarity surrounding a number of the major oil and gas projects which form the core of Chagala's business have continued to impact our business in 2011. Budget discussions surrounding Kashagan's planned Phase II remain unresolved with the likely time frame for this important stage of development now anticipated for 2018/19. The dispute between the Karachaganak oil and gas condensate venture and the Government of Kazakhstan has also remained unchanged year to date though expectations, according to numerous news sources, are that this dispute will be likely resolved by the end of 2011. As such we expect that Kashagan and Karachaganak issues will impact on the Group's performance in the second half.

Virtually all the challenges facing our individual facilities are related to the challenges facing the large oil and gas projects that they were developed to service. We believe that once these project issues are resolved, trading will improve considerably.

Portfolio Activity

Chagala Aksai

The Karachaganak field has been developed under a consortium of companies known as Karachaganak Petroleum Operating ("KPO"). In 2009, the Government of the Republic of Kazakhstan ("RoK") expressed an interest in acquiring an equity stake in KPO, at the time the only major project in which the country did not have an ownership position. According to news sources, the issues surrounding the acquisition by the RoK seem to have been resolved with only minor details left to be agreed.

Chagala's Aksai property has continued to underperform historical norms due to the slow down resulting from ongoing disputes at the Karachaganak venture. The drop in occupancy from approximately 65%HY 2010 to approximately 20% in HY2011 is directly related to the fact that many of the workers inbound for KPO have not been able to secure new work permits and, as a result, have been advised not to travel.

Once ownership stakes are agreed, we expect the situation to correct itself with business volumes returning to historical norms in the near term thereafter.

Chagala Uralsk

Much of the business in Uralsk is built on the needs and business patterns of KPO, though to a lesser degree than in Aksai. Business volumes HY2011 remain low as sub-contractors have refrained from travelling to the region as KPO has cut back on expenditures over the last year.

Hotel occupancy figures for HY2011 of approximately 40% are slightly down on the approximately 45% result for HY2010. Apartment results for HY2011 are approximately at 35% with no corresponding performance for HY2010 as the suites were not opened for trade until August 2010.

As with our Aksai property, until such time as KPO returns to normal operating conditions and the work force is allowed to return in full we are not likely to see an improvement in business levels in Uralsk.

Chagala Bautino

As mentioned in previous updates, the Bautino properties are dependent upon the offshore Kashagan oil field project. Bautino is the supply and logistics hub for all of the north Caspian Sea projects with Kashagan being the largest and most developed project to date.

The Kashagan project has experienced delays and cost over runs from its inception. The RoK, a full partner in the project now, has strongly resisted the budgeting process for Phase II of the Kashagan project on grounds of the costs being prohibitive and unjustifiable. As a result, Kashagan's development is experiencing significant delays, with Phase II (up to 1 million bopd production) now being scheduled for 2018/19.

With the announced delay of Phase II at Kashagan, and other offshore projects still being in their infancy, there has been little stimulus for business volumes in Bautino. Occupancy levels in Bautino have decreased from approximately 70% HY2010 to approximately 60% HY2011. This situation is unlikely to change until such time as Phase II expansion plans at Kashagan are approved and sub contractor demand for accommodation services rebounds or other offshore projects such as CMOC (Shell/KazMunaiGas), Kurmangazy (KazMunaiGas/Rosneft) or the N Block Project (KazMunaiGas/ConocoPhillips/Mubadala) achieve a greater level of development.

Our Residential and Commercial Park was constructed with the understanding that the facility would be fully taken by one large service provider to the Kashagan project. Unfortunately, the delays have resulted in the target client leaving the RoK and subsequent efforts to identify an alternative user have proved unsuccessful to date, leaving the facility currently unopened for trade.

Chagala Atyrau

The Atyrau complex continues to perform well with occupancy levels slightly down at approximately 70% HY2011 as compared to approximately 75% for HY2010. Office and apartment occupancies remain very strong at 100% for both. As part of the assumption of responsibilities for the Kashagan project by the North Caspian Petroleum Operating Company (NCPOC), a number of apartments were released across numerous locations in Atyrau. It is our understanding that in some cases more than 100 units in a single building have been or will be returned to the landlord in the near future. The Group fared well in this exercise and experienced only minimal releases and is well positioned going forward.

Construction on the new 13 floor, 108 apartment unit Ural Residence is nearly completed and is on schedule for occupancy in September 2011. While delays at Kashagan have had an impact on overall business volumes, interest for this building remains solid. For logistical, cost and security reasons, many companies are looking to consolidate their use of apartments into one central location and this is leading to substantial interest from smaller companies than the building was originally intended. In some instances, this is resulting in rate reductions but we expected this with the takeover of support services for the Kashagan project by NCPOC.

As was recently announced, NCPOC entered into a lease agreement with Caspi Ltd., the Group's operating company in Atyrau, for 33 townhouses. These units are currently under construction and will be completed for occupancy by Q4 2011.

Once clarity, in terms of budgets and development plans going forward, returns to the Kashagan project we should see an increase in transient bookings in the hotel resulting from increased service provider and sub contractor activity. This, in turn, should also lead to increased interest in our serviced apartments and available office space.

Chagala Aktau

To date, the international oil companies that have made Aktau their base of operations have not staffed up as expected and this has impacted the performance of our property. Again, much of the shortfall is related to the Kashagan project Phase II delay as well as revised time lines at both CMOC (Shell/KazMunaiGas) and the N Block project (KazMunaiGas/ConocoPhillips/Mubadala).

As future development plans for the offshore project are approved we expect to see a substantial improvement in traffic through the Aktau property. Assurances have been provided from the international oil companies that issues will be resolved and that improvements will come.

Development Update

Current development projects are:

- 33 townhouses in Atyrau under construction with completion scheduled for Q4 2011. All 33 are already leased to NCPOC.
- Ural Residence in final interior completion stage with occupancy slated for September 2011.
- 2,200 m2 office building in Atyrau under construction with completion expected in H1 2012.

Management Changes

Chagala has continued to strengthen its Management Team with:

Yermek Kudabayev - Yermek joined the Chagala Group as Chief Financial Officer in November 2010. With a strong background in finance and corporate reporting, Yermek has greatly improved our ability to analyze our financial performance. Yermek replaced Andrea Bucekova who resigned her position at the end of October 2010.

In a recent effort to expand the opportunities available to the Group in Kazakhstan, a new role has been established within the Company – Business Development Director. The role is being undertaken by Terrance J. Powell with the mandate being to identify prospective new lines of business for the Group both within the oil and gas sector and outside it as well as favorable opportunities that may exist outside the RoK.

Outlook

In addition to the Group's historical business base, Chagala is well positioned to capture new business opportunities represented by additional oil and gas development projects. The table below outlines license territory awarded by the Government of Kazakhstan to partnerships between KazMunaiGas, the State oil and gas company, and foreign partners. These projects, currently in various stages of development, should provide a pipeline of business opportunities for Chagala well into the coming years.

Block Name	Partners	Equity Stake
Shagala Block	Kaz Munai Gas	51%
	ENI	49%
Zhenis Block	Kaz Munai Gas	51%
	Total	49%
Abai Block	Kaz Munai Gas	51%
	Statoil	49%
Kurmangazy Block	Kaz Munai Gas	50%
	Rosneft	50%
Darkhan Block	Kaz Munai Gas	51%
	CNPC	24.5%
	CNODC	24.5%
Tyub Karagan Block	Kaz Munai Gas	50%

	Lukoil	50%
N Block	Kaz Munai Gas Conoco Phillips Mubadala	51% 24.5% 24.5%

Notes to Editors

- Chagala's business is focused on creating a diversified portfolio of services and property solutions, predominantly targeting oil and gas companies and their service providers operating in the Caspian Region, now firmly established as one of the biggest geographical exploration and production areas worldwide. In particular, Chagala provides residential and business accommodation, associated catering, leisure, transport, warehousing and logistics support to all of the major companies involved in the oil and gas industry Kazakhstan.
- Our mission is to improve the productivity of our existing assets with the aim of delivering satisfactory returns to shareholders and to seek out new development opportunities where we see compelling value.
- The Group works closely with its oil and gas clients in planning and developing properties to meet their long term needs and its own growth and development is directly related to that of the oil and gas industries in Kazakhstan.
- Chagala is the market leader in constructing and managing high quality office space in western Kazakhstan owning 16,000 sqm of office space in Atyrau. Tenants benefit from central air conditioning and heating, state of the art IT infrastructure, standby power generation and back up water and fire systems all designed to meet the HSE expectations of multinational companies.
- Kazakhstan is the ninth largest country in the world by area and has one of the lowest population densities with a population of 16.4 million people. The country has excellent growth prospects with 7% GDP growth in 2010. The country has 40 billion barrels of oil reserves and some of the World's most impressive natural resources including precious metals, uranium, coal and gas.
- Some of the world's largest oil fields are found in and around Kazakhstan, including the massive Kashagan discovery in the Kazakh sector of the Caspian Sea ranking as the largest commercial discovery in the last 40 years. Like Kashagan, most of Kazakhstan's major oil reserves and projects are found in the western part of the country which has been the focus of Chagala's business and development history.