

JSC NC KazMunayGas financial and operating results for the nine months ended 30 September, 2018

Astana, November 26, 2018 – JSC National Company KazMunayGas (“KMG” or the “KMG Group”), Kazakhstan’s vertically integrated oil and gas company, announces its IFRS financial and operating results for nine months ended 30 September, 2018.

Financial Highlights¹ for nine months ended 30 September, 2018:

- Revenue was up 62% year-on-year to 5,207 bln tenge (USD 15,478 mln);
- Net profit was up 43% year-on-year to 648 bln tenge (USD 1,927 mln);
- Capital expenditure was down 39% year-on-year to 272 bln tenge (USD 809 mln);
- EBITDA² was up 58% year-on-year to 1,447 bln tenge (USD 4,303 mln);
- Net debt amounted to 2,198 bln tenge (USD 6,055 mln);
- FCF³ was up 95% year-on-year to 139 bln tenge (USD 414 mln);
- FCF adjusted⁴ decreased by 4% year-on-year to 223 bln tenge (USD 664 mln).

Operating Highlights⁵ for nine months ended 30 September, 2018:

- Oil and gas condensate production was up 1% year-on-year to 17,642 thous. tonnes (491 thous. barrels of oil per day⁶);
- Natural and associated gas production was up 2% year-on-year to 6,067 mln m³;
- Oil transportation slightly increased by 0.4% year-on-year to 55,674 thous. tonnes;
- Gas transportation was up 13% year-on-year to 84 bln m³;
- Refinery volume was up 11% year-on-year to 14,947 thous. tonnes. Volume includes refinery volume in Kazakhstan of 9,895 thous. tonnes and KMG International (“KMG I”) of 5,051 thous. tonnes. Total oil products production was up 10% year-on-year to 13,931 thous. tonnes;
- Crude oil sales were up 5% year-on-year to 18,980 thous. tonnes.

Key Events:

Corporate

- KMG EP’s LSE and KASE delisting occurred on May 10, 2018. KMG owns 99.6% of KMG EP’s common equity;
- On 13 November 2018, KMG EP’s board of directors extended the deadline for the repurchase of preferred stock until 31 January 2019. KMG EP announced the intention to repurchase preferred shares from the Kazakhstan Stock Exchange on August 13. As at November 16, 2018, KMG EP repurchased 1,058,363 preferred shares in the amount of KZT 13.5 bln, representing 55.6% of outstanding preferred shares in free float;

¹ For reader convenience, amounts in US Dollars throughout the press-release were converted at the average exchange rate for the applicable period for amounts taken from the consolidated statement of income and consolidated statement of cash flows and the period-end rates for amounts taken from the consolidated balance sheet (average rates for 9M 2018 and 9M 2017 were 336.40 and 323.27 KZT/USD, respectively; period-end rates as at 30 September 2018 and 31 December 2017 were 363.07 and 332.33 KZT/USD, respectively).

² Earnings before interest, taxes, depreciation and amortisation (EBITDA) is a measure of profit before the deduction of interest expenses, taxes, depreciation and accrued amortisation.

³ Free Cash Flow is calculated as CFO + Dividends received from joint ventures and associates – Capex.

⁴ Free Cash Flow adjusted is calculated as CFO adjusted not net prepayments + Dividends received from joint ventures and associates – Capex.

⁵ Operating highlights are represented as net of KMG’s share in those respective assets.

⁶ A conversion rate of 7.6 barrels of oil and gas condensate per tonne was applied for information purposes only. The actual number of barrels may vary from the barrel equivalents of crude oil represented here.

- The transaction between KMG and CEFC China Energy on sale of 51% interest in KMGI was terminated. KMG will continue to own and operate KMGI with full consolidation of activities results;
- In October 2018, KMG International and Societatea de Administrare a Participațiilor în Energie S.A. (owned by Romanian Ministry of energy) formed a joint Kazakhstan-Romanian Investment fund with 80% and 20% interests, respectively. Initial amount of share capital was equal to USD 5 mln. According to KMG International's General Strategy, the fund's investment policy aims to develop investment projects in the energy sector. KMG (as the parent company) has no obligations to finance Kazakhstan-Romanian Investment fund;
- In October 2018, KMG took 50% common shares of JSC AstanaGas (a subsidiary of JSC Samruk-Kazyna NWF) in a trust management to manage the construction of Saryarka gas pipeline for gasification of Astana city (the central and northern regions of the country), taking into account KMG's accumulated experience and expertise in this area of business;
- In September 2018, KTG signed agreement with WALT BAY LTD on sale of 100% interest in KTG-Tbilisi in the amount of USD 40 million;
- In November 2018, as the result of online auction was determined buyer of the Kazakh-British Technical University JSC in the amount of KZT 11,370 mln. KMG plans to complete the sales procedures within the sixty calendar days from the date of signing the protocol of the online auction results;
- In November 2018, S&P Global Ratings upgraded its rating on KMG from BB-/kzA to BB/kzA+ with stable outlook and upgraded KMG's stand-alone credit profile to b+;
- In November 2018, Alik Aidarbayev was appointed as a Chairman of the Management Board of KMG.

Operating

- During nine months of 2018 Kashagan oil production was up by 64% year-on-year to 9,511 thous. tonnes (KMG share was 787 thous. tonnes) or 276 kbopd. Kashagan oil production was positively impacted by commissioning of crude gas reinjection system in August 2017, reliability improvement of equipment and production efficiency increase. The operator of project is working on exploring options for expanding the capacity for gas re-injection for a subsequent production increase at the field;
- In September 2018, partners of Karachaganak project signed an agreement sanctioning the Karachaganak Debottlenecking Project (KGDBN Project) that is aimed to extend the duration of liquid production plateau. KGDBN Project will enable the processing up to 4 bcm of additional raw gas that will be used for reinjection to maximize incremental liquids production by additional 10 million tonnes before the expiration date of FPSA. Project commissioning is scheduled for the end of 2021. Project investments will be equal to USD 1.1 bln;
- Commissioning works at Atyrau refinery modernization were completed. Refinery is on the stage of pilot operation;
- In September 2018, commissioning works at Shymkent refinery within second stage (final stage) of modernization were completed. Refinery on the stage of pilot operation;
- KTG and PetroChina International Company signed a five-year contract to double Kazakh natural gas exports to China from 5 bcm to 10 bcm per year.

Financial

- In January and April 2018, in accordance with an amendment to Tengizchevroil⁷ (TCO) oil supply agreement signed in December 2017, KMG received two additional prepayment tranches totalled USD 500 mln;
- In April and September 2018, KMG received dividends from TCO of USD 102 mln and USD 85 mln, respectively;
- In May 2018, KMG made an early redemption of Eurobonds with nominal value of US\$ 3.1 bln by issuing Eurobonds in the amount of US\$ 3.25 bln;
- On July 2, 2018, KMG repaid bonds issued in 2008 in the amount of USD 1.6 bln;
- On August 6, 2018, in accordance with an amendment to Kashagan oil supply agreement signed in July 2018, KMG Kashagan B.V. received an additional tranche of USD 600 mln and repaid final debt tranche to consortium members for 8.44% stake in the North Caspian project in the amount of USD 844 mln;

⁷In 2016 KMG entered into long-term TCO crude oil and liquefied petroleum gas (LPG) supply agreement, which involve the prepayment. The total minimum delivery volume approximates 38 mln tonnes of crude oil and 1 mln tonne of LPG in the period from the date of the contract to March 2021.

- In October 2018, KMG repaid loan obtained from PJSC Sberbank of Russia in the amount of USD 371.4 bln.

Financial results for nine months of 2018⁸

During nine months of 2018 revenue increased by 62% year-on-year to 5,207 bln tenge (USD 15,478 mln). The growth was mainly attributable to higher global oil prices, increase in KMGI's sales volume of crude oil and oil products, tenge depreciation against US dollar, and increase in gas sales volumes. KMGI's sale of crude oil and oil products amounted to 1,342 bln tenge (USD 3,988 mln) and 1,688 bln tenge (USD 5,017 mln). Sale of crude oil and LPG pursuant to TCO Advanced Oil Sale transaction amounted to 1,190 bln tenge (USD 3,537 mln). Gas export to China started in October 2017 (under export agreement between KTG and PetroChina International Company Limited) reflected an increase of gas sales during nine months of 2018, and amounted to 405 bln tenge (USD 1,204 mln).

Cost of sales increased by 61% year-on-year to 3,966 bln tenge (USD 11,790 mln). Growth was mainly due to higher global oil prices and KMG I's increased purchase of crude oil and oil products volumes. KMG I's cost of sales of crude oil and oil products amounted to 912 bln tenge (USD 2,712 mln). Cost of crude oil relating to the TCO Advanced Oil Sale transaction increased to 820 bln tenge (USD 2,439 mln) due to higher global oil prices and tenge depreciation against US dollar.

During nine months of 2018, KMG's operating profit increased by 51% year-on-year to 539 bln tenge (USD 1,603 mln).

KMG's earnings from shares in the net profit of joint ventures and associates increased by 87% year-on-year to 533 bln tenge (USD 1,584 mln). Increase is mainly attributable to TCO's profit increase by 63% year-on-year. KMG's share amounted to 338 bln tenge (USD 1,006 mln).

Net profit increased by 43% year-on-year to 648 bln tenge (USD 1,927 mln) vs. 454 bln tenge (USD 1,350 mln).

Taxes and other obligatory payments amounted to 1,005 bln tenge (USD 2,987 mln), reflecting an increase by 44% year-on-year.

During nine months of 2018, capital expenditures were reduced by 39%, to 272 bln tenge (USD 809 mln) due to completion of capital intensive period.

As a result of Eurobond redemption in the amount of USD 1.6 bln on 2 July 2018 and repayment of loan obtained from PJSC Sberbank of Russia in the amount of USD 371.4 mln in November, KMG's gross debt decreased by 7% to 4,000 bln tenge or USD 11 bln.

Eurobond redemption in the amount of USD 1,600 mln, Sberbank loan repayment in the amount of USD 371.4 mln and KMG EP shares buyback reflected net debt increase by 53% to 2,061 bln tenge, compared to 31 December 2017.

Cash and cash equivalents balance including cash in deposits decreased by 34% to 1,939 bln tenge (USD 5,339 mln) mainly due to KMG EP's shares buyback.

Nine months of 2018 Operating Results

Hydrocarbon production

⁸ As at June, the Group ceased to classify KMGI as a discontinued operation as participants had not completed sale and purchase agreement (SPA) procedures to sell a 51% interest in KMGI and the transaction was terminated. Accordingly, KMGI assets and liabilities were transferred from discontinued operations to continuing operations; comparative figures were adjusted in accordance with IFRS requirements.

During nine months of 2018, KMG oil and condensate production increased by 1% year-on-year to 17,672 thous. tonnes. Natural and associated gas production increased by 2% to 6,067 mln m3.

During nine months of 2018, KMG's share in Kashagan (North Caspian Operating Company N.V. – NCOC) oil and gas production increased by 64% and 65% to 787 thous. tonnes of oil and 458 mln m3 of gas, respectively. Increase is mainly attributable to commissioning of crude gas reinjection system in August 2017, reliability improvement of equipment and production efficiency increase.

KMG's share in TCO oil production remained relatively stable over the period and amounted to 4,293 thous. tonnes. TCO gas production reflected slight decrease by 1% YoY and amounted to 2,349 mln m3 due to overhaul at gas processing plant.

KMG's share in JV Kazgermunai LLP oil production decreased by 4% year-on-year to 1,352 thous. tonnes. Gas production reached 254 mln m3, reflecting a decrease of 9%, primarily as a result of natural decline of oil production, shutoff of high gas factor wells due to restrictions on the flaring of associated gas in April-July 2018.

KMG's share in Kazakhoil Aktobe LLP oil production was 220 thous. tonnes, reflecting a decrease of 16% year-on-year, primarily as a result of natural decline of oil production and limitations on oil production of some production wells in order to avoid the exceed of over-limit gas flaring. The same factors reflected 21% decrease in gas production year-on-year to 178 mln m3.

Crude oil sales

During nine month of 2018, KMG's sales of oil and condensate increased by 5% year-on-year to 18,980 thous. tonnes. Own produced crude oil sales were 15,034 thous. tonnes, reflecting a decrease of 2%.

Own produced crude oil sales to domestic market rose by 9% year-on-year, to 4,853 thous. tonnes. (including crude oil volumes to refineries for the further sale of oil products) in line with domestic supply obligations for oil producers and production capacity increase at the Kazakh refineries.

Oil and gas transportation

During nine month of 2018, KMG transported 50,716 thous. tonnes of oil (including the KMG's share) by pipeline, which is 0.5% increase year-on-year attributable to oil production growth at Kashagan field.

KMG's share in Caspian Pipeline Consortium (CPC) oil transportation volumes increased by 11% year-on-year to 9,309 thous. tonnes due to increase of oil production at Kashagan field.

During nine month of 2018, offshore oil transportation was 4,958 thous. tonnes, reflecting a decrease of 1%.

During nine month of 2018, gas transportation volumes increased by 13% year-on-year to 84.0 bln m3 due to increase in export volumes.

Gas export volumes amounted to 15.1 bln m3, reflecting an increase of 26%, primarily due to gas export to China started in October 2017 under an export agreement between KazTransGas and PetroChina International Company Limited.

Refining

Hydrocarbons refinery volumes were up 11% year-on-year to 14,947 thous. tonnes.

Hydrocarbon refining volumes in Kazakhstan refineries increased by 8% year-on-year to 9,895 thous. tonnes in line with domestic supply obligations for oil producers and production capacity increase at the refineries:

- 3,943 thous. tonnes at the Atyrau Refinery, up 16%;

- 3,911 thous. tonnes at the Pavlodar Refinery, up 2%;
- 1,714 thous. tonnes (KMG's share) at the Shymkent Refinery, up 4%;
- 327 thous. tonnes (KMG's share) at Caspi Bitum, up 17%.

Refining at KMGI refineries increased by 19% year-on-year to 5,051 thous. tonnes:

- Petromidia refining (Romania) volumes were up 19% to 4,738 thous. tonnes. The increase is attributable to favourable weather conditions and the implementation of plant upgrade initiatives during nine months of 2018 as well as the suspension of production operations during nine months of 2017;
- Vega refining (Romania) volumes were up 19% to 314 thous. tonnes due to increased supplies of raw materials from Petromidia refinery.

Modernisation completion of Kazakhstan refineries reflects continuous increase of refining depth to designed parameters. During nine months of 2018 refining depth increased from 64% to 69% at Atyrau refinery and from 77% to 79% at Pavlodar refinery compared year-on-year. The refining depth of 74% at PKOP remained stable over the period due to completion of PKOP modernisation in September 2018.

Hydrocarbons production increased by 10% year-on-year to 13,931 thous. tonnes.

Hydrocarbons production at Kazakhstan refineries increased by 5% year-on-year to 8,984 thous. tonnes in line with growth in refining volumes:

- 2,380 thous. tonnes of gasoline, up 26%;
- 2,861 thous. tonnes diesel, up 5%;
- 152 thous. tonnes of jet fuel, up 36%;
- 3,591 thous. tonnes of other oil products, up 8%.

Production of oil products at KMGI refineries increased by 20% year-on-year to 4,947 thous. tonnes due to increase in refining volumes:

- 1,262 thous. tonnes of gasoline, up 27%;
- 2,201 thous. tonnes diesel, up 14%;
- 248 thous. tonnes of jet fuel, up 40%;
- 1,484 thous. tonnes of other oil products, up 17%.

For further information, please visit <http://ir.kmg.kz/ru> or contact:

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About JSC National Company KazMunayGas:

JSC National Company KazMunayGas (KMG) is Kazakhstan's leading vertically integrated oil and gas company, operating assets across the entire production cycle from the exploration and production of hydrocarbons to transportation, refining and specialised services. Established in 2002, the company represents the government's interests in the national oil and gas industry.